TRADE ACT OF 1970

Amendments 925 and 1009 to H.R. 17550

SOCIAL SECURITY AMENDMENTS OF 1970

HEARINGS

AND INFORMAL PROCEEDINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

NINETY-FIRST CONGRESS

SECOND SESSION

ON

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AMENDMENTS TO INCORPORATE THE TEXT OF THE TRADE ACT OF 1970

OCTOBER 9 AND 12, 1970

(Part 2 of 2 Parts)
Written Testimony

Printed for the use of the Committee on Finance

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CONTENTS

(Parts 1 and 2)

Administration Witnesses

Public Witnesses

Communications

51-389—70—pt. 2——2

Additional Information

Appendixes

Appendix A (Part 1)

Appendix B (Part 1)

Appendix A (Part 2)

Communications Received by the Committee Expressing an Interest in the Trade Act of 1970

Statement by Senator Norris Cotton, Before the Finance Commitee of the U.S. Senate

Mr. Chairman, it begins to look as if the only hope of getting any relief for the imperiled industries in this country and the jobs of their workers would be to attach in some form the so-called Mills Bill as an amendment to a bill coming from the Finance Committee, presumably Social Security.

I feel so strongly that we should take steps to preserve our own industries, particularly in regard to those countries that impose restrictions on our exports to them, that I earnestly urge your Committee to give the Senate a chance to vote on this vital issue by attaching such an amendment.

Statement of Hon. Sam J. Ervin, a U.S. Senator From the State of North Carolina

Mr. Chairman, I appreciate the opportunity to present information to this committee as it considers a matter of utmost importance to my state of North Carolina and the nation as a whole.

The Trade Act of 1970, which has been approved by the House Ways and Means Committee and is now being considered by your committee, has as its Title II provisions which will clear the way for a solution to the long-festering textile import problem.

Your committee has heard expert testimony from the Secretary of Commerce, the Secretary of Agriculture and others, so I shall not attempt to go into every facet of this complex problem or the Trade Bill itself. I would, however, like to emphasize just a few aspects of the textile import problem and the type of solution contained in Title II, the textile-apparel-footwear section—of the Trade Act of 1970.

Imports of textiles and apparel have over the past decade ridden the crest of a steady build-up until they establish a new record level every year. In 1969 they amounted to 3.6 billion square yards, more than double what they were in 1964. Already this year, they are well on their way to another record level as they are entering this country at an annual rate of 4.4 billion square yards, that's nearly a billion square yard increase in one year.

Now, some contend that this volume is not really very big; that the United Stats is a huge country, and we should be able to absorb these ever growing volumes without hurting our domestic textile industry. They claim that imports amount to something less than 10 percent of the market, so we have no need to worry about them.

They overlook the fact this level of imports is resulting in unemployment and short shifts throughout the American textile industry, and in some cases it is contributing heavily to actual mill closings.

In my own State of North Carolina, alone, 17 mills have been closed down since January of 1969. In addition, many mills have been forced to eliminate a shift or shorten the work week to four or five days.

The textile industry is the largest payroll in my state, as a matter of fact it is our only billion dollar payroll. We have 1,200 plants employing some 285,000 people with a payroll of $1.5 billion.

Let me cite just a few examples of how this "insignificant" level of imports is penetrating large segments of the industry.

One out of every four yards of woolen textiles consumed in this country is imported. Half of all men's worsted suiting comes from Japan. Imported sweaters accounted for 12 percent of the domestic market in 1964, but today that volume has grown to over 42 percent of that market. Of the men's and boys' shirt market, better than 38 percent is now imported.

The impact has been felt particularly in the knitted textile market which is the customer for the many yarn mills located in North Carolina. Since January of 1968, 114 knitting mills have gone out of business.

Many of our yarn companies are small and are in no position to finance the machinery needed to shift to another product line when low-wage imports take away their customers. While these companies are small they are, in many cases, the only or the major industry in a town. When they are forced to go out of business or sharply cut back production, everyone in town suffers, the bankers, store owners, supplier of dyes and chemicals and the city and state governments which rely on tax revenues from companies and their employees.

Mr. Chairman, in addition to being a great textile state (North Carolina produces a large volume of agricultural products. I would be the last person in the world to place our agriculture export market in jeopardy. But there is no reason under the sun why passage of this fair and reasonable trade bill would endanger our agricultural export market.

The textile section of the Trade Act of 1970 places heavy emphasis on negotiated agreements. Any country which enters into an agreement with the United States to limit its textile exports will not be subject to the statutory limitations in the bill. Agreements would be voluntary, and presumably acceptable to both sides, so no one would be able to seek any compensation under the rules of the General Agreement on Tariff and Trade.

There is no reason why Japan, or any other country, would have the right, or the desire, to cut back on her imports from us. We currently supply 83 percent of Japan's soybeans because we are the best and most reliable source for soybeans in the world. Japan has no place else to go. Japan buys large amounts of our tobacco because of its availability and quality. The same is true of our cotton exports. Japan buys cotton from us because it is available in the proper qualities, and the United States offers favorable financing terms.

The bill, which I understand will be considered by this committee, is most generous when textile imports are concerned. It would enable exporters to start with an extremely high base and increase imports in the future. But at the same time, it will give our domestic producer some indication of what market they can compete for in the future. It will restore confidence in the future of this great industry, and it will enable our textile mills to create new job opportunities in one of our most basic industries.

Statement by Senator George McGovern for Senate Finance Committee, Hearings on Trade Legislation, October 12, 1970

Mr. Chairman, I am pleased to have this opportunity to submit this statement to the Senate Finance Committee on the proposed trade legislation.

Unfortunately the Committee is only able to hold brief hearings at this time on the trade bill. These hearings may well prove inadequate for a full and fair presentation of the views of those in the Senate and among the public who regard this bill as one of the most important that will come before us this year.

My own statement is not as comprehensive as I would have wanted it to be, and I hope to speak more extensively on the bill when it comes to the floor of the Senate.

The dissenting views of the seven members of the House Ways and Means Committee in the report on this bill reflects my own position. Their joint opinion is short and accurate and I quote it in its entirety:

"This is a bad bill. It should be defeated.

"We feel that this bill is restrictive, ill-timed, and provincial. It will provide artificial market controls and increased prices. It is inflationary.

"It decidedly reflects a lack of confidence in the basic worth of our own competitive system. It would be a backward step for America and for the world."

This bill is based on the belief that because some American exports are now meeting unjustifiable restrictions abroad and some American workers are suffering as a result of these barriers, we should lash out against the exports of all other nations. Faced with a specific threat, this bill would bring down on our heads the carefully constructed structure of international trade relations that has been created over the past 36 years.

We have committed such a disastrous mistake once before in this century. In 1930, the Congress enacted the Smoot-Hamley tariff in the mistaken belief that we could export our economic difficulties to others. This was a typical case of "beggar my neighbor." We thought we could keep our imports from abroad while continuing to sell our products abroad.

In the 1930's we met with retaliation. Other countries threw up barriers against our goods and produce. The resulting paralysis of international commerce wrecked the world economy and helped bring on the dictatorships that plunged us into World War II. Only when Franklin D. Roosevelt proposed the first of the Reciprocal Trade Acts did we begin to emerge from the disastrous trade war that had accompanied the Depression.

In the 1970's we will also meet with retaliation if we pass this bill. Just this week, Great Britain has warned us of possible moves against our exports if we slap new restrictions on theirs. And we know that the European Common Market, the world's largest trading unit, will take similar action.

The trade bill before this committee is bad foreign policy and bad economics—a throwback to the isolationism of the 1920's and 1930's. It says to the rest of the world that we are determined to shift our policy from trade liberalization to fear and paralysis, whatever the consequences. Other nations would have a legal right, under the terms of the General Agreement on Tariffs and Trade, to retaliate against such protectionism. There is no telling where such a spiral will end. And the United States would have to bear a heavy responsibility for starting it.

It ill-behooves a Nation, which has offered a helping hand to developing nations, now to threaten their meager exports. Trade is not a sure-fire substitute for aid. But it is completely unreasonable to hinder the trade of developing nations at the same time we are steadily reducing our economic assistance to them.

The bill contains many poorly conceived provisions which would do us great harm. Among them are:

1. A rule which would allow quotas to be slapped on imports if they reached a mathematically determined level. This would remove flexibility and discretion from our national policy. It would require protectionism by reflex.

2. The protectionism in the bill would invite retaliation because it would violate GATT rules. And counteraction from abroad would hit some of our most important farm exports—soybeans, feed grains and wheat. This bill would be a disaster for American agriculture. It would cost the American farmer markets all over the world.

3. It endorses unreasonable oil import quotas at a time when the Nation is facing a fuel crisis—fuel shortages and rising fuel prices.

4. It provides $600 million in tax advantages for corporations which are already in the export business. The additional exports that could be expected from this measure would not even equal in value the amount of the tax advantage. And this provision would do nothing to encourage companies not now exporting to sell more abroad.

5. It provides special protection for the textile industry. Yet in the past ten years, this industry's profits have risen fourfold and many new jobs have been created. Where an unjustifiable increase in imports of textiles can be proven, we should seek legal compensation through GATT rules, not simply retaliate blindly.

There are some provisions in the trade bill which should be salvaged. Among these are:

1. Continued authority for the President to negotiate tariff reductions.

2. Repeal of the American Selling Price system of customs evaluation. The ASP has represented one of the most archaic, protectionist features of our present trade legislation.

3. Relaxation of the rigid requirements for granting adjustment assistance to American workers and firms threatened by increased imports or already penalized by them. Adjustment assistance, administered through an effective program and providing prompt relief, is perhaps the best way we can deal with shifting world trade patterns. It is far better than throwing up new barriers every time a segment of one of our industries is faced with foreign competition in the American market.

Undoubtedly some American exports are being treated unfairly by other nations. International rules exist which provide us with methods for taking action in these situations. In some cases, retaliation may be the only course.

A few foreign exporters are undoubtedly exploiting unfairly their access to the American market. Increased protection for American production may be fully justifiable in meeting these imports.

In all our deliberations on trade policy, we should never lose sight of the interests of the consumers. Naturally our production deserves fair protection and an opportunity to compete in the world. But we cannot forget that the consumer has the right to expect that we will help him obtain the best goods at the best price. Some of these will be foreign made, but that fact should not, in itself, mean that we should deprive the consumer. He does not yet speak with the strength of the special interests, but that is all the more reason why we should make sure he gets a fair deal.

Nor should we forget that our present trade problems are related to broader issues. Our imports have shot up much faster than our exports, because our Nation has been gripped by costly inflation. Inflation makes our exports more expensive and imports relatively cheaper. And the greatest part of our inflation is the result of the war in Indochina. I believe that, by ending our military involvement there, we can put the brakes on inflation. That should be a major contribution to improving the outlook for American trade.

Mr. Chairman, I urge this Committee to reject those provisions of the bill which represent a return to Smoot-Hawley protectionism, while adopting a trade bill which will continue progressive policies and American trade leadership in the world.

STATEMENT BY SENATOR EDWARD M. KENNEDY TO SENATE FINANCE COMMITTEE ON OIL IMPORT QUOTAS

The trade bill passed by the House is a sweeping piece of legislation which will have important impact not only on the economy of the United States, but on the world economy as well. It therefore requires the most careful scrutiny by the Finance Committee.

One aspect of the bill which has not received adequate attention relates to oil imports. I strongly oppose the House's attempt to freeze into law a quota system of oil import control. The present quota system is a national scandal and a national disgrace. It confers enormous benefits on a few oil producers at the expense of the American consumer and to the detriment of our national security. The Senate Finance Committee should not take any action which suggests approval of the present Oil Import Program and which forecloses the possibility of moving to a tariff system.

A little history is in order. In March, 1969 President Nixon created a Cabinet Task Force to conduct a comprehensive review of oil import restrictions. The Chairman of the Task Force was George Shultz, then Secretary of Labor; its other members were the Secretaries of State, Treasury, Defense, Interior, and Commerce, and the Director of the Office of Emergency Preparedness. The Task Force received over 10,000 pages of submsisions from all interested parties, including every segment of the oil industry. After months of careful study, it issued a detailed Report on the oil import question.

This Report found that "The present import control program is not adequately responsive to present and future security considerations." It confirmed that the program "has imposed high costs and inefficiency on consumers and the economy." According to the Task Force, the Import Program costs American consumers almost five billion in higher prices each year and will cost them over eight billion dollars a year by 1980. The burden is particularly heavy in those states which use large amounts of oil for heating. In my state of Massachusetts, for example, the average family of four pays 140 dollars more each year for home heating oil and gasoline because of the Import Program.

The Task Force concluded that the quota system should be abandoned in favor of a tariff system which permitted freer imports. It stated that a tariff system was preferable even to a liberalized quota system because it would encourage greater efficiency in domstic markets, lessen the dependence of domestic buyers on particular suppliers, and assure that the benefit of low cost imports is fully realized by the public rather than by the companies which receive quota allocations.

Although President Nixon has not implemented the Task Force's recommendations, he has the power to do so. The House Ways and Means Committee, without holding any hearings on the oil import question, voted to strip the President of this power. Section 104 of the House-passed bill forbids the use of a tariff system.

I think it would be unconscionable if the Senate Finance Committee followed the House's bad example and barred a tariff system of oil import control. The Task Force's arguments have never been adequately refuted. People in the Northeast and Midwest agree with the Task Force that the quota system should be abandoned. They are tired of paying higher prices so that oil producers can have greater under-taxed profits. They are tired of seeing Big Oil always get its own way with the federal government.

At the very least, the Finance Committee should hold extensive hearings on oil import control. I think such hearings would demonstrate that the Task Force was correct, and that the quota system should be abandoned. They would certainly demonstrate the folly of permanently freezing the quota system into law.

STATEMENT ON U.S. TRADE POLICY, SENATOR CHARLES H. PERCY, TO THE SENATE FINANCE COMMITTEE, MONDAY, OCTOBER 12, 1970

After only two days of hearings, called on short notice, the Senate Finance Committee will make a momentous decision affecting the country's basic foreign economic trade policy.

Acceptance of the House Ways and Means-passed trade bill, which is the central focus in the Senate hearings, would represent a reversal of over 30 years of U.S. foreign trade policy. Ever since the 1930's this country has been moving to expand its world trade opportunities. These efforts have expanded prosperity throughout the free world, in substantial part due to a freer exchange of goods, services, and capital.

For almost 20 years, in both private as well as public life, I have been testifying before the Senate Finance and House Ways and Means committees urging that we do not sacrifice the long-term interest of this country for furtive and fleeting short-term gains. I testified in the Ways and Means Committee in the 1950s not to impose quotas on cameras and photographic products even at a time when imports had 70% of the still camera market. Quotas were not imposed and events have proved that action correct—faced with competition the American industry fought back and with developments such as Polaroid cameras, Instamatics and others the American camera industry is again in the ascendancy. The time span has been adequate to determine whether the positions taken have been fundamentally sound. Today I stand behind every word of that testimony.

The problems of the declining trade balance of this country in the past 2 or 3 years can be attributed to inflation—not to any fundamental inability of U.S. industry to compete in world markets. This year, with inflation being brought slowly under control, the U.S. balance of trade is beginning to run a heavier surplus and latest estimates show an approximate $3.5 billion trade surplus for 1970. This is clear proof that America can compete effectively and America is an economically strong nation.

I urge the Senate Finance Committee to reject legislated quotas as artificial props for adjustment problems certain industries may be experiencing. The President's trade proposals submitted last year—which provide for special assistance to help industries and workers adversely affected by foreign imports—are fundamentally less dangerous than legislated quotas.

Quotas imposed by this country would result in swift, sharp and perfectly legitimate retaliatory actions by other nations. The first U.S. exports that would be affected would be agricultural exports. This would have serious adverse effects on farmers as well as the agricultural implement industry. But this would only begin an endless chain process of restricted and declining international trade costing the United States thousands of jobs, a renewal of the inflationary spiral of higher prices seriously injuring the American consumer at home, and strained and disrupted relations abroad.

In order to preserve an economic policy that has served this country so well for over 30 years, to protect jobs of American workers, to preserve farm income, and to bring the benefits of competition to consumers through lower prices, I urge the Senate Finance Committee to reject legislated quotas and support a trade policy consistently supported by our last six American Presidents.

TESTIMONY SUBMITTED BY HON. WALTER F. MONDALE, A U.S. SENATOR FROM THE STATE OF MINNESOTA

Mr. Chairman, I very much regret that the brevity and the suddenness of the hearings did not allow me to appear before your Committee in person, but I welcome this chance to present written testimony on the pending trade legislation.

I cannot overemphasize the far-reaching importance of the legislation which you are now considering. Whatever trade legislation is passed by this Congress will have a profound impact on our and the world's trade policies for the coming decade.

It will have a definite impact on the four million or so jobs, as well as the income, profits, and economic growth which depend upon our enormous and growing export sector.

This legislation will affect our trade surplus, our balance of payments, and the soundness of the American dollar in international markets.

It will have important foreign policy ramifications, particularly with respect to Japan, the European community, and the less developed nations of the world—which, incidentally, stand to suffer the most from American protectionism in spite of our professed goal of helping these struggling economies through expanding their national exporting sectors.

This legislation will set a new pattern for assisting those American industries which may need and deserve help in the face of economic difficulties and increasing foreign competition—a short-sighted pattern which substitutes arithmetic formulas and a preoccupation with quota barriers for a comprehensive policy designed to realistically help the workers, the industries, and the regions so affected.

H.R. 18970 and the trade barriers which it would erect will greatly affect the American consumer, depriving him of the benefits of both the choice and the savings which can come from imports—a consequence which will fall not only on every family, but will also make itself felt in our continuing struggle to control inflation at home.

And of particular concern to me, coming from a state which sells over $235 million a year worth of agricultural goods abroad, is the threat of this bill to farm exports, so clearly vulnerable to the inevitable foreign retaliation which will follow the enactment of a bill in total violation of the accepted rules of international trade.

I fully recognize that the adjustment assistance provisions of our current trade legislation have been inadequate—both in legislation and in administration. I do not for a moment feel that our own workers can be coldly sacrificed simply to abstractions such as "free trade," "comparative advantage," or "export expansion" without recognizing the context in which world trade takes place. We must be concerned with foreign dumping, foreign export subsidies, differences in international product and labor standards, the need to preserve our domestic economic and agricultural policies, and with national security and foreign policy considerations.

Most of all, of course, we must have a deep and genuine concern for those workers and businessmen whose livelihoods may be unfairly jeopardized by foreign competition. No industry whose profits and employment are declining can be ignored—regardless of cause. But to seize simply upon quota protection and trade barriers—to the unquestioned detriment of the worker and businessman whose livelihood depends upon exports—is shortsighted and unfair to all concerned.

If an American industry is being injured due to patently unfair foreign competition—a case of dumping, foreign subsidies, unfair labor and product standards, or the like—steps can and should be taken immediately to protect the industry and bring about an end to such practices.

If an industry is in the economic doldrums as a result of a general national or regional economic slump, the industry, the workers, and the area should receive the same sympathy, attention and assistance as all other businesses and industries similarly affected to the end of restoring economic health to that sector or region of our domestic economy.

If an industry is in difficulty through fundamental structural changes which make it more difficult for that industry to compete with foreign goods, then every effort should be made to find new products, markets, and production techniques which can restore the competitiveness of that industry.

We need additional legislation and additional resources to provide this kind of assistance. Some of this should be trade legislation, and I am hopeful that a bill can be passed this Congress which will strengthen the adjustment assistance, the antidumping, and other sections of our basic trade legislation. But it is dangerously short-sighted to assume that the problems of any industry in vigorous competition with imports can be solved simply by limiting those imports and erecting trade barriers around the United States economy. I think it is, in fact, an affront to the incredible productivity and efficiency of our economic system that we should actually be on the verge of retreating from worldwide competition into protectionism and economic isolationism.

I do not presume to have the ideal piece of trade legislation before me. This is something which I still hope can come out of this Committee after extensive hearings and deliberation—in the tradition of the milestone trade legislation which guided us over most of the past decade. But I do want to stress the enormous importance of the task you have before you and the profound impact which any legislation will have upon the trade policies of the next decade. I strongly urge you to find ways of building upon the decade just ended, during which great strides were made in expanding and liberalizing world trade. I especially urge the Committee not to act precipitously on a bill which nearly every economist in the country as well as millions of farmers, workers, businessmen, and consumers with a vital stake in expanded trade, believe to be a bad—in fact a potentially disastrous—trade bill.

As a direct violation of the General Agreement on Tariffs and Trade, this bill would be a clear invitation to retaliation from foreign countries which, contrary to some impressions, still fear the American competitor more than any other.

Probably the most direct threat is upon our agricultural exports which last year totaled $6.6 billion and which accounted for the produce of one in four American acres under cultivation. My own state, for example, exports more agricultural commodities than all but four other states in the union, and this year will account for over $235 million in sales and at least 30,000 jobs in agricultural exports.

Nearly $150 million worth of Minnesota agricultural exports are in the three commodities which are probably the most vulnerable to foreign retaliation—wheat, feed grain, and soybeans. It has been estimated that some 40% of our soybean exports could be lost from European retaliation. If that were so, my own state could easily loose $12 million in export sales—a disastrous and wholly unnecessary loss to the agricultural economy of Minnesota.

Again I stress the importance of *expanding*—not contracting—world trade and the exporting sectors of our economy. Exports as a whole are worth $¾ billion and 70,000 to my state alone. They are worth $40 million and perhaps four million jobs to this nation. It is the farmer, the worker, the businessman and the consumer who stand to gain through the preservation and expansion of this trade—and that's most of the people in this country.

We can fully meet our deep obligation to *all* the industries and *all* the workers of this country through a trade policy which continues to advocate a vigorous expansion of trade. We can make our adjustment assistance and our escape clause relief more responsive to the needs of those who feel today most threatened by foreign competition.

But let us not answer to the special demands of the few with a bill which will turn the clock back on world trade policies to the days of Smoot Hawley or worse.

I urge the Committee *not* to adopt H.R. 18970 in its present form. I urge you to resist the imposition of quotas in violation of GATT. I urge you to respond to the cries of the consumer and the fuel-hungry Northeast and Midwest and resist the imposition of mandatory oil import quotas. I urge the Committee to remove from the bill the provision for the domestic international sales corporations which is a tax boondoggle of questionable advantage to either our economy or our balance of payments and would be an enormous drain on the U.S. Treasury.

Most of all, I urge you to proceed with great care in this emotionally charged but profoundly serious matter. I hope the Committee will exercise its responsibility by giving this matter the great attention it deserves and demands, and will resist the temptation to bring trade legislation to the floor of the Senate before the questions of its impact on jobs, income, balance of trade, U.S. foreign policy, and the future of trade negotiations have been thoroughly aired and answered to the satisfaction of every member.

STATEMENT OF HON. GAYLORD NELSON, A U.S. SENATOR FROM THE STATE OF WISCONSIN

Everyone pays lip service to the concept of free trade. All countries espouse its virtues, as do the producers, sellers and buyers of goods, just so long as

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C., October 14, 1970.

Hon. RUSSELL B. LONG,
Chairman, Finance Committee,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in reference to H.R. 18970, the trade amendment legislation now before the House. Specifically, I would like to call your attention to section 343 of the bill, relating to the rates of duties on mink furskins and the repeal of the embargo on certain furs.

I don't think any of us would disagree that this nation's mink industry is in serious danger of virtual extinction. The number of mink ranches in the United States has declined from 7,200 in 1962 to 2,600 at the beginning of the present year.

Furthermore, mink pelt prices have sharply decreased in recent years. In 1966, the mink pelt auction price averaged $19.48. By 1969, this price had decreased to $15.33. And, as of September 1 of this year, the price had declined to $11.14 per pelt—a 42.6% decrease since 1966.

According to the House Ways and Means Committee report on H.R. 18970, the 1970 trade bill "is designed to assist domestic producers in their efforts to rebuild the market for mink." In light of this stated intention, I would like to offer the three following recommendations for your consideration as your committee continues its deliberations on this bill. All three suggestions, I should add, would clearly help the mink industry get back on its feet.

First, the present language of the bill places a limitation on the importation of free entry mink at 4,600,000 pelts. I believe this limit is too high. The Department of Agriculture has estimated that imports for 1970 will total 2.6 million pelts. There would have to be a 77% increase in the present rate of imports for the American mink rancher to obtain any relief through this quota provision.

I strongly urge the committee, therefore, to reduce this quota limitation to 3.6 million furs. A limitation of this size would preclude another import invasion of the magnitude of recent years.

Second, I urge the committee to add the provision that not more than one-third of the permissible 3.6 million pelts be admitted during any one calendar quarter. Due to a northern location, the mink's winter coat is grown earlier in the Scandanavian countries than in the United States, permitting them to pelt earlier. The Scandanavians have used this geographic advantage to flood the market with unlimited sales in December before the American producers can get their pelts on the market. This practice would be substantially controlled if this provision was included in the trade bill.

Finally, I urge the committee to delete from the bill the repeal of the embargo against seven furs from the Soviet Union and the People's Republic of China. This repeal will substantially increase competition against the mink industry and will hurt the market for mink pelts. For instance, the Kolinsky fur, which is directly competitive with mink, will once again enter the American market. Imports of Kolinsky in 1949 and 1950, the last two full years before the present embargo went into effect, averaged 899,000 pelts. This average would be almost equivalent to an equal amount of low grade mink pelts.

I am convinced that the three proposals that I have offered in this letter would result in achieving the aim set forth in the House report on the 1970 trade bill, namely to assist domestic mink producers in their efforts to rebuild their markets. Only one of the proposals that I have made will change the current picture—namely the limitation of imports to 1.2 million pelts in any one calendar quarter.

I hope that your committee will be able to give my proposals the deepest consideration before the trade bill comes to the Senate floor.

Sincerely,

WILLIAM PROXMIRE.

STATEMENT BY KENNETH M. CURTIS, GOVERNOR OF MAINE

Much confusion has arisen in recent weeks surrounding the proposed trade legislation now pending before Congress. I want to make clear that I feel that the interests of Maine and New England would be best served by legislation confined to assistance to those branches of the shoe and textile industries which have been hard hit by foreign competition. To further expand the quota bill would turn it from necessary protection to an inflationary grab bag which might touch off a world trade war.

The need for protection for shoes and textiles is clear and therefore, although quotas in international trade normally mean undesirable and inflationary consumer price rises, I feel that in this instance, they represent the only defense we have against the unfair trade practices of some foreign nations.

Maine is the nation's third largest shoe producing state. We produce 10 percent of the nation's shoes. The industry provides 25,000 badly needed jobs for Maine wage earners and the State's present economy is such that we cannot afford any further decline. Furthermore, we cannot ignore the situation in the rest of New England where 12 plants have closed with a loss of 2,100 jobs.

It has been alleged that by opposing oil quotas while supporting quotas for shoes and textiles, we in New England are trying to have it both ways. In fact, the reverse is true. What we are doing is pointing out that the oil producing areas currently have it both ways while Maine gets hurt both ways by current Federal trade policy. We pay higher oil prices to protect the jobs of workers in the Southwest, and we get no protection for our workers here in Maine. Furthermore, we are confronted by the strong possibility of a serious oil shortage. Wells in Texas and Louisiana are operating at full capacity and so are all U.S. refineries. Prices are increasing drastically. This is not the time to talk of firmer oil import restrictions.

The following points of comparison indicate how absurd it is for Congress to consider applying this inflationary protectionism to the highly profitable oil industry as if it were suffering with the same burdens as shoes and textiles.

1. Although thousands of shoe and textile manufacturing jobs are being lost annually to foreign competition, oil refining jobs are not in jeopardy. The President's Task Force on oil import controls has proved conclusively that conversion to a less costly tariff system would have little adverse effects on oil industry employment. Testimony by Professor Henry Steele before Senator Hart's Judiciary Subcommittee in 1968 indicated that the price of crude oil could fall by 2½ cents per gallon with little or no effect on domestic employment.

In any case, the oil industry is capital intensive, not labor intensive, so the effect on jobs would necessarily be less from a change in the industry's capital situation. By way of illustration, the oil industry ranks first in the nation in sales per employee ($82,555) while textiles show $20,195 in sales per employee and apparel (including shoes) $15,799. In rough figures, therefore, it takes more than four times as much foreign competition to dislodge one oil employee as one shoe or textile employee, and, for the oil industry, that foreign competition is already ruled out.

2. The shoe and textile industries are facing competition from nations which have refused to enter into international agreements as to exports to the United States. Because of the present oil import program the oil industry is already sheltered from meaningful competition.

3. The oil industry also benefits from such special privileges as the depletion allowance and foreign tax credits. The shoe and textile industries get no similar subsidies from American taxpayers.

In short, by cynically seeking to ride piggyback on the troubles of truly hardpressed industries, the oil industry has begun to turn a legitimate orderly trade bill into an anticonsumer and inflationary disaster. I would hope that the Senate would remove this unwarranted special favor before other industries with similar demands clamber abroad and sink a measure which could provide necessary and deserved relief to the shoe and textile industries.

STATEMENT OF POSITION OF THE INTERNATIONAL TRADE CLUB OF CHICAGO, SUBMITTED BY MANUEL J. CORREA, PRESIDENT

> The International Trade Club of Chicago comprises over 700 executives, representing some 600 firms with international business interests. The companies which these executives represent are engaged in all of the major fields of international trade and investment, including manufacturers, exporters and importers, transportation companies and firms providing various services to companies engaged in international trade and investment.

Because of the protectionist aspects of H.R. 18970, the International Trade Club of Chicago is strongly opposed to this bill. If passed, it could lead to a trade war. History has shown that all parties lose in such instances, and that once started they, like all wars, are difficult to stop.

H.R. 18970 is a reversal of long-standing U.S. policy. We urge instead the development of a bill which reinforces the non-discriminating multilateral trading system for which the U.S. has worked so hard in the past.

The specific measures which we are against are:

1. The trigger clause, a mechanical formula calling on the President to impose quotas, duties or other import restrictions to protect any American product injured by foreign competition.
2. Mandatory quotas such as those on textiles and shoes, and tariff rate quotas such as those on mink and glycine. Quotas are the worst form of protectionism, and we urge their elimination from this bill.

The issues involved in making the oil import program a legislative enactment are complex, but we express our concern that such restrictions are contrary to the free trade policy which we generally support.

There are many good aspects of H.R. 18970. They include:

1. The Domestic International Sales Corporation (DISC), an innovative attempt to spur exports through the deferral of taxes on export income.
2. Presidential authority to adjust tariffs by 20% or 2 percentage points under the final Kennedy Round rates. This "housekeeping" clause is necessary to enable the Administration to make minor compensating adjustments for U.S. tariff increases which result from legislative or other action.
3. Revocation of the American Selling Price as a method of valuation for certain chemical imports would help remove one of the last vestiges of American protectionism.
4. The speeding up of action in dumping cases and the ability to impose countervailing duties on subsidized imports are useful improvements.

These aspects of the bill are positive measures which will be helpful in expanding our international trade, while providing adequate provision for the redress of legitimate import injuries.

But they are minor in comparison to the quota provisions. These are not only restrictive in substance, but could signal the start of protectionism throughout the world.

On balance, the International Trade Club of Chicago is strongly opposed to H.R. 18970. We urge that a substitute bill be developed which contains the positive aspects of H.R. 18970. It should also include new measures to increase U.S. exports, a much more positive approach to our international trade needs than restricting imports from other countries.

STATEMENT OF DR. N. R. DANIELIAN, PRESIDENT, INTERNATIONAL ECONOMIC POLICY ASSOCIATION, TO THE SENATE FINANCE COMMITTEE, ON H.R. 18970 (TRADE ACT OF 1970)

H.R. 18970 fails to articulate a broad, forward-looking trade policy for the 1970s. The necessities of the coming decade call for the formulation of a trade policy which will expand world trade on a reciprocal basis. This bill is recessive in that it provides for retrenchment, rather than giving the President the power to expand the markets for American products. It is also inconsistent. It approves GATT, for instance, while setting quotas on imports. It approves ASP without specifying conditions which might give us equivalent advantages in other markets: for instance, by dismantling nontariff barriers against our agricultural exports.

The problem facing the United States is not that we are importing too much. It is that we are not exporting enough. The reason is that whenever we are really competitive in the pricing of an export product, some impediment or other is raised against us; for example, in agriculture, where we can outsell any other producer in the world. This is important because agricultural exports account for between 15 percent and 20 percent of our total exports, and give us our trade surplus with continental Western Europe. Yet there is nothing in this bill that will dismantle any existing barrier to our agricultural exports. There is nothing in this bill that gives the President the power to negotiate a standstill agreement on threatened taxes on seed oil and cake, or a limitation on grain prices in the EEC, or a limit on variable levies applicable to grains. There is nothing in this bill that will give the President the power to eliminate partial quotas on aluminum exports, a very unsatisfactory deal made during the Kennedy Round. There is nothing in this bill to engage in amicable bilateral negotiations with our friends in Japan for mutual reduction of barriers to trade and investment except the threat of imposing quotas, which is, by all accounts, one of the least desirable means of limiting imports.

Frankly, the only thing in the bill of any value to expand our export markets is the DISC proposal. Even this must be supplemented with a provision to give incentives by tax concessions on export of services such as income derived from encouraging travel and tourism to the United States.

I know the hour is late, and the opportunities to redefine long-range trade policy in this session of Congress are very small. But, if the Congress is impelled to enact a trade bill this year, I suggest the following changes:

Eliminate all quota provisions, but in their place give the President the power to enter into bilateral negotiations with other nations, trading blocs and free trade associations to achieve reciprocity under penalty of withdrawing most-favored-nation treatment in our markets where a fair and reasonable degree of reciprocity and national treatment is not achieved. This may be done by amending section 211, expanding the number of nations, trading blocs, common markets and free trade areas with which the President may enter into bilateral trade agreements; and amending also section 251 of the Trade Expansion Act, making the granting of most-favored-nation treatment conditioned on the achievement of reciprocity and national treatment.

I suggest amendment of Chapter 4, section 331, repealing the American Selling Price system of evaluation, by adding a proviso to Paragraph 8 on Line 6: "Provided that such concessions granted with respect to the products of the United States shall include a zero binding on U.S. exports of vegetable oils, oil seed and cake."

I would suggest an amendment of Chapter 3, which authorizes the appropriation of the U.S. share of expenses of GATT for the first time, to the effect that such authorization is conditional on revision of Article XVI to treat both direct and indirect taxes alike in the definition of subsidies; and that Article XXIV be redefined to limit the expansion of trading blocks, common markets and free trade areas, expecting less developed countries, unless specific compensatory tariff adjustments are made to nonmember countries.

We support Title 4 creating a Domestic International Sales Corporation. This title provides that taxes on income generated abroad from exports may be deferred if used in qualified export assets. If the DISC, as well as the use made of deferred taxes, remains qualified over a long period of time this would be of some benefit in encouraging invstment in export oriented activities. This is by no means a windfall to business since the tax liability will remain on the books contingent upon disqualification of DISC or the export related uses of the deferred taxes.

We would have preferred a straight tax reduction on export generated income such as is in effect in the case of Western Hemisphere Trade Corporations. However, it was apparently decided that Article XVI of GATT precluded a straight tax reduction for fear of its being considered a subsidy on exports prohibited by that Article. This is one instance where the double standards applied to income and value added taxes inhibited the U.S. government from making a straightforward concession to industry to encourage exports, as is done by many other countries through rebates of value added taxes.

It is a mistake, however, to confine tax incentives only to the export of goods. The United States is also a very substantial exporter of services and we receive annually $8 to $9 billion of foreign exchange earnings from this source. Tourism and travel alone account for $2 billion of this. It is pertinent to note that GATT provisions do not apply to services; therefore nothing in international conventions prohibits the U.S. government from giving tax concessions in this area. We are in just as severe competition in the sale of services around the world as in the export of goods. Our objective should be to maximize foreign exchange earnings, and a dollar earned from the export of services is just as good for this purpose as a dollar earned from the export of goods.

Admittedly, this area is quite complex as it involves a variety of activities including banking, insurance, engineering services, industrial property rights, travel and tourism. The most promising area, in my view, where we can take a profitable initiative is in encouraging travel and tourism to the United States. As a tourist attraction the United States is unique. One cannot enjoy this anywhere else but here. Whereas one can buy competitive services and products from a variety of sources, tourism in the United States is a unique monopoly of this country.

Tourism is considered one of the most important and growing industries in the world and every country is fighting for the tourist dollar; some by means of tax concessions to the tourism sector. The one factor that inhibits foreigners from visiting the United States is cost. We should, therefore, do everything possible to assist the tourist and travel industry to organize "visit U.S.A. parties" at reasonable cost.

One way of achieving this would be to give tax concessions on foreign exchange earned by those industries which organize, transport and house a growing number of international visitors to our shores. It is estimated that a visitor to the United States spends on an average of almost $500. Ten percent of this goes for taxes to local, state and federal governments. We should be able to forgive that in order to obtain the other 90 percent of foreign exchange earnings. If we can double the number of visitors to the United States we will go a long way to eliminating one large portion of our balance of payments deficits.

Finally, I would like to urge that the Congress take this opportunity to create a Council on International Economic Policy, to advise the President and Congress on all aspects of U.S. international trade and financial relations which are closely interrelated. This Council would develop programs and strategies for achieving economic objectives in the external relationships of the United States. It would have final responsibility, subject to the approval of the President, in defining the content of the negotiating posture with other nations and trading blocs. The Department of State, of course, would still carry on negotiations within the guidelines and programs defined by the Council and as approved by the President.

At no time has the necessity for such a Council been more obvious than today in connection with the current controversy on trade and financial policy. The Government, the Congress and the country are divided into factions which has made it difficult to develop a cohesive program in the interest of the financial stability of this country and the economic progress of the world. Some consideration is apparently being given to this proposal, since the President's recent message on foreign aid refers to the concept of a new coordinating body.

The inconsistencies of national policy in the international field are most readily illustrated by reference to the recent announcement that foreign aid grants and loans will be untied from the requirement that they be spent for domestic procurement. At a time when we are restricting the right of industry to invest abroad in order to earn money for the United States, the Executive has announced that foreign aid loans and grants, usually at and for long periods of time, will be untied causing as much damage to our balance of payments as abolition of OFDI controls. This is being done even though it is in violation of the intent of section 604 of the Foreign Assistance Act. Again, while there is so much controversy with respect to tariffs, quotas, nontariff barriers, the financial arm of our government seems to encourage revaluation of other currencies in relation to the dollar, which in effect means a devaluation of the dollar and is equivalent to an across-the-board increase in the cost of imported products, just like a flat rate tariff increase in all products from the countries involved.

A third example: While we try to restrain by quotas the import of products which are indigenous to less developed countries, such as textiles, beef, etc., we keep holding out hope that we will give those countries preferential tariff treatment in our markets!

We now have a Domestic Affairs Council, an Environmental Council, a Council of Economic Advisors and a National Security Council, but in the one area which is next only to military security in importance, namely the international economic and financial strength of the United States, we have no central machinery for analysis of the issues, definition of objectives and establishment of long-range guidelines to international economic policy.

The United States simply needs an instrumentality that can outline a consistent economic policy designed to maintain the strength of the United States, but at the same time encourage economic development and trade expansion on a reciprocal basis throughout the world.

Opposition to the Administration's Domestic International Sales Corporation Proposal—Statement of Alan Schenk, Professor of Law

Mr. Chairman and Members of the Committee: I wish to express my appreciation for this opportunity to submit some of my views on the Administration's proposed Domestic International Sales Corporation (DISC). I am submitting these views in my own behalf as an individual private citizen concerned about the United States tax structure.

I. The extraordinary technical complexity of DISC will cause administrative nightmares.—Subparts F and G, enacted in 1962, included some of the most difficult administrative problems in recent years. Some of these provisions appear simple compared with the implicit complexities in DISC. DISC limitations and qualification provisions may appear routine upon surface analysis, but the proposal's numerous subjective tests for qualification combined with the problems inherent in the termination of the Export Trade Corporation benefits and the availability of tax-deferred repatriation of Export Trade Corporation profits to a DISC will cause administrative nightmares to the Treasury and compliance problems to affected taxpayers.

The DISC proposal's length and complexity point up the Treasury's concern about possible abuses with this tax deferral option. In addition, the legislation proposed is interrelated with other provisions in the Internal Revenue Code. These ramifications do not appear to have received sufficient Treasury consideration.

II. DISC will grant tax windfalls without any assurance that exports will increase.—The DISC proposal grants tax deferral of qualified export profits. While this "deferral" *may* avoid the prohibition against direct "subsidy" in the General Agreement on Tariffs and Trade (GATT), the more effective DISC is in promoting increased exports, the greater the likelihood that affected nations will take retaliatory action to negate the DISC deferral benefit. Presently, the United States is reviewing the possible imposition of countervailing duties on some Japanese imports because these products are being sold for export at prices lower than those charged for the same products in the domestic Japanese market. It seems curious that, at the same time, the Treasury is proposing DISC. DISC may result in exporters selling products at prices below those charged in the American market. The United States may, thus, be inviting the use of countervailing duties or similar retaliatory action against American exporters by the affected nations.

Agricultural exporters are not free to use the DISC tax benefits to reduce prices on their products and thereby expand such export trade. Under GATT, if a member nation aids agricultural exports in such a way that it results in that nation obtaning a larger share of the world market in a primary product, the affected nations may take retaliatory action.

The present wording of the DISC proposal permits companies presently engaged in export trade to obtain DISC tax deferreal in the first year even though it does not increase its export one dollar.

III. DISC will predominantly benefit "big business."—To obtain the DISC tax benefits, an exporter must organize a separate corporation and satisfy the statutory qualifications. The expected tax benefit must exceed the anticipated legal, accounting and other costs attached to the organization and operation of an additional corporation. The highly complex set of tax rules with numerous subjective tests will necessitate the hiring of sophisticated tax advisors. This will increase the cost to obtain a mere tax *deferral.*

The intercompany pricing rules incorporated in the DISC proposal discriminate in favor of integrated-manufacturers and against small producers.

The DISC restrictions emphasize the desire to benefit only a limited group of exporters, not all companies engaged in export trade. DISC provides no benefit to exporters unless they organize a separate qualifying corporation. If the exporter "breaks even" or loses on export sales, no DISC tax benefit results. Thus, the DISC benefits large, profitable export companies.

IV. The DISC tax benefits could be negated by tax laws in foreign countries.—The DISC rules on intercompany pricing and profit allocation among related companies apply for United States tax purposes, but there is no assurance that foreign countries will accept these rules in determining their tax revenue. Thus, sales by DISC's to related foreign corporations may be subject to pricing and profit reallocations by foreign countries. These reallocations could increase the tax liability on sales abroad and thereby reduce the DISC impact in affecting export trade.

V. Present competitive disadvantage to American exporters not cured by DISC.—GATT and the International Monetary Fund (IMF) are the international institutions which restrict a member nation's freedom to unilaterally alter international trade. Presently, GATT permits member nations to rebate indirect taxes, but not direct taxes, on export. This border tax adjustment procedure has enabled Common Market countries to rebate their ten to twenty percent sales taxes (value-added tax) on exports while the United States rebates only a nominal excise tax in limited situations. The DISC proposal grants only tax *deferral* on export profits, not the complete tax rebates available to most of our competitors. Rather than granting deferral benefits to a limited number of American exporters, the United States should exert its influence in order to obtain changes in the GATT rules. In the alternative, the United States should consider the use of a border tax adjustment procedure which is not tied to domestic tax policy.

VI. A direct approach is needed to solve the U.S. balance of payments problems.—In the final analysis, the long-term balance of trade position of the United States will depend upon American know-how, the competitiveness of American products in the international commerce, and more flexible and equitable provisions with respect to border tax adjustments. top-gap measures such as the proposed DISC may, even if successful, only alleviate the payments imbalance in the short-run. The elimination of this deferral privilege in the future could then have a very serious impact on the U.S. balance of trade.

Each additional piece of legislation designed to unilaterally affect the U.S. balance of payments position places the value of the U.S. dollar in question. The proposed DISC is too limited in scope and too inflexible to accommodate for changing conditions with respect to the balance of trade and the U.S. balance of payments position. Chronic disequilibrium in the balance of payments requires a thoughtful overall study of the entire area. The current Treasury review of U.S. tax jurisdiction in the foreign area may produce broad tax reform proposals. These recommendations may be limited if Congress now enacts legislation which, in effect, further contracts United States tax jurisdiction.

Statement of J. F. Farrington, on Behalf of National Association of Scissors and Shears Manufacturers

SUMMARY

Mr. Farrington's statement on behalf of the National Association of Scissors and Shears Manufacturers is in support of:

An amendment to the proposed Trade Act of 1970 to continue the provisions of Section 225(b) of the Trade Expansion Act of 1962.

The proposed amendment to the Trade Act of 1970 would reserve from tariff negotiations scissors and shears valued over $1.75 per dozen. Imports of these scissors and shears in 1967 were 29% higher than domestic shipments.

To support these recommendations, Mr. Farrington outlines economic conditions in the domestic scissors and shears industry as follows:

1. Number of domestic firms manufacturing scissors and shears has declined from 50 to 9 since the end of World War II;
2. Shipments of the domestic industry dropped 50 percent from 1948 to 1967;
3. Imports of scissors and shears have increased from 150,372 pairs in 1949 to 20,025,091 pairs in 1969;
4. Imports of sewing and manicure sets have increased from $2.8 million in 1964 to $3.7 million in 1969;
5. Imports of electric scissors have increased from $92,997 in 1964 to $2,697,521 in 1969;
6. During the most recent six-year period imports of scissors and shears valued over $1.75 per dozen have increased 187 percent;
7. Wholesale value of imports in 1967 was equal to 75 percent of domestic shipments;
8. Imports are equal to more than 1,500 full-time jobs;
9. Tariff Commission found threat of serious injury to industry producing scissors and shears valued over $4.80 per dozen in 1954 and that economic condition had not improved in 1964.

STATEMENT

Mr. Chairman, and members of the Committee on Finance, my name is J. F. Farrington. I am Vice President of the Acme Shear Company, located in Bridgeport, Connecticut. I appear here today as President of the National Association of Scissors and Shears Manufacturers (formerly known as Shears, Scissors and Manicure Implement Manufacturers Association), the only national trade association of domestic manufacturers of scissors and shears.

The present condition of the United States shears and scissors industry is a classic example of what happens to an important domestic industry and its employes when sacrificed by the government in trade negotiations. As a result of the United States trade policy our industry has been almost completely annihilated by low cost imports.

This is the first time I have appeared before this committee. However, during the past 20 years representatives of our association have appeared before this committee and other Congressional committees, the Tariff Commission and committees of the executive department to present our views on the impact of imported scissors and shears on our industry. In fact, representatives of our industry appeared before this committee in 1929 in connection with the legislation that became the Tariff Act of 1930. We have never requested or even suggested that a complete embargo be placed on the imports of scissors and shears. All that we have asked for and desire is a fair competitive opportunity, not an advantage. This is all we are asking for.

Before discussing our request for an amendment we propose for the "Trade Act of 1970", I will give some background information on our product, our association, our industry and the impacts of imports.

THE PRODUCT

Scissors and shears are manufactured in the United States in over 150 sizes and shapes for various cutting purposes.

Many scissors and shears have names that indicate the purpoe for which they are designed, i.e., blueprint or paper hangers' shears, leather or belt shears, tailors' shears, sailmakers' shears, barber shears, sewing scissors, embroidery scissors, rubber shears and electricians' shears.

One of three manufacturing processes is used in producing scissors and shears. The higher priced scissors and shears are produced by the hot forge process or casting process and the lower priced by the cold forging process.

NATIONAL ASSOCIATION OF SCISSORS AND SHEARS MANUFACTURERS

The National Association of Scissors and Shears Manufacturers is the only national trade association of domestic manufacturers of scissors and shears. The Association's membership is composed of six United States manufacturing firms producing approximately 80 percent of the scissors and shears manufactured in the United States.

DOMESTIC INDUSTRY

The domestic scissor and shear industry should not be confused with the cutlery and flatware industry, which is a large, automated industry. The United States scissor and shear industry is a small industry in number of establishments, employees and value of products.

There are nine firms in the United States known to be producing scissors and shears. These firms have plants located in Arkansas, Connecticut, Florida, Massachusetts, New Hampshire, New Jersey and Ohio.

In addition to the nine firms known to be producing scissors and shears there may be several small firms that have equipment and "know-how" to produce scissors and shears. These marginal producers operate their plants when they can obtain orders and would have only one or two employees. It would be difficult to justify these firms from an economic standpoint in the present market. The owners are hanging on to their equipment with the hope that adequate import controls will be placed on scissors and shears so that they will again have an opportunity to produce and sell scissors and shears.

Before the import duty on scissors and shears was reduced in 1950 and 1951 there were approximately 50 firms manufacturing scissors and shears in the United States. The majority of these firms manufactured scissors and shears exclusively. Since the duty reductions in 1950 and 1951 there has been a steady deterioration of the domestic industry. Each year the number of firms manufacturing scissors and shears has declined. Since the 1950 duty reduction no new firm has been established to produce scissors and shears in the United States.

TARIFF

Scissors and shears now classified in TSUS Items 650.87, 650.89, and 650.91 were classified in Paragraph 357 of the Tariff Act of 1930, when it was enacted on June 17, 1930, and the scissors and shears in fitted cases classified in TSUS Items 651.11 and 651.13 were classified in Paragraph 1531. The rates of duty on items in these paragraphs on June 17, 1930, were as follows:

Par. 357—Scissors and shears valued not over 50 cents per dozen, *3.5¢ each +45% ad. val.;* valued over 50 cents but not over $1.75 per dozen, *15¢ each +45% ad. val.;* valued over $1.75 per dozen, *20¢ each + 45¢ ad. val.*

Par. 1531—Leather, rawhide, or parchment cases fitted with sewing, manicure and similar sets, *50% ad. val.*

The rates of duty for the scissors and shears provided for in Paragraph 357 of the Tariff Act of 1930 were the same as those provided for in the Tariff Act of 1922.

During the hearings before the House Ways and Means Committee and the Senate Finance Committee, in connection with the drafting of the Tariff Act of 1930, importers of scissors and shears appeared before the committees and urged that the rate of duty established in the Tariff Act of 1922 be reduced. Domestic producers also appeared before the committees and pointed out the necessity of continuing the rates of duty then in effect.

Following consideration of the testimony, the Congress continued the rates of duty as shown above.

The 1930 rate of duty on scissors and shears in fitted cases provided for in Paragraph 1531 of 50 percent ad valorem was reduced to 35 percent ad valorem effective January 1939 under a trade agreement with the United Kingdom. The rate of duty on scissors and shears in fitted cases of reptile leather was further reduced to 25 percent ad valorem as a result of trade agreement negotiations with Argentina effective November 1941. The rate of 25 percent ad valorem on all others was negotiated at Geneva in 1948. The rate of duty was reduced to 20 percent ad valorem on all except cases of reptile leather effective October 1, 1951, as a result of the negotations at Torquay, England. A duty of 20 percent ad valorem was negotiated on fitted cases of reptile leather at Geneva in 1955.

Tariff Schedules of the United States which became effective August 31, 1963 provided for a duty of 20 percent ad valorem for sewing sets, and pedicure or manicure sets in leather containers and 38 percent in other containers. These duties were reduced 50% during the Kennedy round of negotiations with the full reduction to be effective January 1, 1972.

The 1930 tariff on scissors and shears valued at not more than 50 cents per dozen and scissors and shears valued at more than 50 cents and not more than $1.75 per dozen provided for in Paragraph 357 were reduced 50 percent to 1¾¢ each plus 22½ percent ad valorem, and 7½ cents plus 22½ percent ad valorem respectively, effective May 30, 1950, following the trade agreement negotiations at Annecy, France.

The import duty on scissors and shears valued at more than $1.75 per dozen was reduced to 15 cents each plus 35 percent ad valorem as a result of the Annecy negotiations, and the duty was again reduced to 10 cents each plus 22½ percent ad valorem following the trade agreement negotiations at Torquay, England. This reduction became effective October 1, 1951.

The duties on scissors and shears valued $1.75 per dozen and less were again reduced during the Kennedy round of negotiations another 50% to take effect over a period of five years in five steps. This reduction will become fully effective January 1, 1972.

The present import duties on scissors and shears are:

Scissors and shears valued not over 50¢ per dozen: 1.22¢ each plus 15½ percent ad valorem;

Scissors and shears valued over 50¢ but not over $1.75 per dozen: 5.25¢ each plus 15½ percent ad valorem;

Scissors and shears valued over $1.75 per dozen: 10¢ each plus 22½ percent ad valorem;

Sewing and manicure sets in leather fitted cases: 14 percent ad valorem;

Sewing and manicure sets in other than leather fitted cases: 26 percent ad valorem.

As noted, the duty on four of the above items will be reduced further on January 1, 1971 and January 1, 1972 as a result of the Kennedy round.

On January 1, 1972 the rate of duty on scissors and shears, provided for in TSUS Items 650.87 and 650.89, will be only one quarter of the rates originally established in the Tariff Act of 1922 and reenacted in the Tariff Act of 1930. The rate on scissors and shears in leather fitted cases provided for in TSUS Item 651.11 will be only one-fifth of the rate established in the Tariff Act of 1930.

IMPORTS OF SCISSORS AND SHEARS

The imports of scissors and shears as reported by the Bureau of the Census are shown in Table II on the following page. This table does not include the imports of scissors and shears in fitted cases or certain low value shipments.

The scissors and shears imported in manicure, sewing and simliar sets under Paragraph 1531 in fitted leather cases were not separately tabulated and reported by the Bureau of the Census before August 30, 1963. They have been reported since that date under TSUS Items 651.11 and 651.13.

The imports for the years 1964–69 were as follows:

TABLE I.—U.S. IMPORTS FOR CONSUMPTION AS REPORTED BY THE BUREAU OF THE CENSUS

SEWING AND MANICURE SETS

Year:	Value (U.S. $)
1964	2, 845, 527
1965	3, 094, 484
1966	3, 631, 557
1967	3, 157, 892
1968	3, 330, 778
1969	3, 751, 339

TABLE II.—U.S. IMPORTS FOR CONSUMPTION, AS REPORTED BY THE BUREAU OF THE CENSUS

SCISSORS AND SHEARS

Year	Quantity (pairs)	Value (U.S. dollars)	Year	Quantity (pairs)	Value (U.S. dollars)
1931	842, 141	133, 881	1952	3, 121, 741	1, 174, 758
1932	1, 115, 358	80, 877	1953	4, 540, 006	1, 503, 542
1933	677, 025	60, 598	1954	4, 396, 123	1, 593, 668
1934	131, 105	47, 576	1955	5, 671, 816	1, 984, 722
1935	191, 514	72, 159	1956	5, 981, 033	2, 265, 258
1936	209, 763	82, 181	1957	6, 578, 527	2, 321, 373
1937	237, 806	92, 635	1958	7, 297, 269	2, 745, 469
1938	127, 754	59, 806	1959	11, 956, 375	3, 193, 557
1939	105, 946	48, 082	1960	11, 476, 885	3, 289, 464
1940	29, 524	6, 928	1961	10, 112, 482	3, 299, 798
			1962	12, 777, 082	3, 812, 436
Average, 1931–40	366, 794	68, 472	1963	9, 986, 907	3, 708, 054
			1964	10, 319, 828	3, 846, 582
1946	11, 131	9, 756	1965	11, 420, 141	4, 220, 236
1947	20, 776	16, 162	1966	12, 857, 003	4, 775, 651
1948	76, 178	59, 632	1967	15, 097, 759	5, 653, 493
1949	150, 372	117, 608	1968	18, 615, 175	6, 822, 320
1950	825, 616	377, 843	1969	20, 025, 091	7, 625, 660
1951	2, 213, 031	892, 255			

Note: War period (1941–45) not stated.

In addition to imports of conventional types of scissors and shears, our industry is also faced with rapidly increasing imports of electric scissors. These imported electric scissors are used in the home and are directly competitive with conventional scissors and shears. The increase in these imports is shown below:

TABLE III.—U.S. IMPORTS FOR CONSUMPTION AS REPORTED BY THE BUREAU OF THE CENSUS

SCISSORS WITH SELF-CONTAINED ELECTRIC MOTORS AND PARTS

Year:	*Values (U.S. $)*
1964	92,997
1965	314,080
1966	626,778
1967	814,068
1968	2,165,352
1969	2,697,521

As a result of the Kennedy round of tariff negotiations at Geneva, the import duty on electric scissors is being reduced from 13.75 percent to 6.5 percent. The duty during 1970 is 9.5 percent and will be cut to 8 percent on January 1, 1971.

Large quantities of scissors and shears are sent by foreign producers directly to individuals in the United States as premiums in connection with the promotion of domestic consumer products. These individual shipments are valued at less than one dollar per shipment and are not subject to import duties and are not recorded in United States import statistics.

It should also be noted that the imports reported by the Bureau of the Census and shown in Tables I, II and III are less than actual imports under these classifications because certain shipments valued at less than $250.00 are not included. A substantial quantity of scissors and shears are entered into the United States in shipments valued less than $250.00 each. This type of trade has developed through department stores and department-store-buying syndicates buying directly from German and Italian sources. Many small shipments valued less than $250.00 are made directly to individual stores from West Germany and Italy.

However, even using the imports of scissors and shears reported by the Bureau of the Census, which are substantially less than actual imports, it is clear *that as a result of the low level of import duties on scissors and shears imports have increased to a point where the domestic manufacturers have been all but completely annihilated.* The manufactures who have not been forced out of business up to this time are still fighting to retain a domestic scissor and shear industry and pray that the United States Government will limit the import of scissors and shears into the United States.

A review of the imports during the period of 1949 to 1952 and 1967 to 1969 clearly shows the effect of the reductions in the import duties on scissors and shears. As shown in Table II, imports increased from 150,372 pairs in 1949 to 3,121,741 pairs in 1952. The import duty on these imports was reduced in 1950, and the duty on those valued over $1.75 per dozen was reduced again in 1951.

Accelerated by the reductions in duty, imports continued to increase and in 1962 a total of 12,777,082 pairs were reported imported. A further reduction in the duty on certain scissors and shears which began on January 1, 1968 caused another sharp increase in imports.

Over 90 percent of the imports of scissors and shears during recent years have been from Japan, West Germany and Italy. During the past 20 years there has been a shift in imports to the country with the lowest production costs. During 1950, 92 percent of the imports were from West Germany, 3 percent from Italy and 2 percent from Japan. During 1969, 35 percent were from Italy, 30 percent from Japan and 26 percent from West Germany.

The cost of producing scissors and shears in Japan is less than producing them in West Germany and Italy, and in Italy less than in West Germany.

During the most recent 6 years, 1963 to 1969, imports have increased over 100 percent, which is a rate of more than 15 percent per year.

Based on value, a high percentage of imports are scissors and shears valued over $1.75 per dozen. During 1969 these higher priced imports accounted for 93 percent of the value of the total shown in Table II. It is these higher priced imports that are causing the greatest injury to the domestic industry. During the six-year period 1963–1969 imports of scissors and shears valued over $1.75 per dozen have increased 187 percent.

EXPORTS

The Bureau of the Census statistical reports on United States exports do not show exports of scissors and shears as a separate item.

Information developed by the United States Tariff Commission in 1968 showed that exports of scissors and shears by domestic producers were less than one percent of total shipments.

Domestic manufacturers of scissors and shears are unable to compete in foreign markets due to the low prices quoted by foreign producers. For this reason, the domestic market is the only market available to domestic manufacturers and the domestic market is saturated with imported scissors and shears.

DOMESTIC PRODUCTION

The value of domestic production of scissors and shears in 1948 was $18.5 million. In 1967 the value was estimated by the Tariff Commission to be only $14.5–16.0 million. These figures do not take into consideration the decline in the value of the dollar between 1948 and 1967. If this is taken into consideration we find that the shipments by the domestic industry have declined 50 percent. This decline took place during a period when there was an increase of 36 percent in the population of the United States.

As shown in Table II, during the period that domestic shipments declined 50 percent, imports increased from 76,178 pairs to 15,097,759 pairs and since then have increased another 30 percent to 20,025,091 pairs.

The wholesale value (foreign value plus import duty, cost of transportation and insurance and importers mark-up) of scissors and shears imported in 1967 was $11,405,000 or 75 percent of domestic shipments. If we include imports of scissors and shears in fitted cases the imports could exceed the value of shipments by domestic manufacturers.

On the basis of both quantity and value of imports of scissors and shears, other than those in fitted cases, the majority of imports are those valued over $1.75 per dozen. The Tariff Commission during a study of the scissors and shear industry established that, "The minimum importers' selling price for imports entered in the more-than-$1.75-per-dozen classification, taking account of the duty, costs of delivery to the United States, etc., and importer's normal mark-up, is about $4.80 per dozen." This relationship is still valid.

Domestic shipment of scissors and shears valued over $4.80 per dozen includes approximately 25 percent (quantity) of the domestic shipments of scissors and shears.

Domestic shipments of scissors and shears valued over $4.80 per dozen were approximately 8,250,000 pairs during 1967 which compares with imports of 10,652,367 valued over $1.75 per dozen. Therefore imports were 29 percent higher than domestic shipment.

LABOR

The scissor and shear industry is a prime example of the impact of imports on American employment. While the total number of employees in our industry is not large, each one is the breadwinner for a family. Many of the American workers are drawn from minority groups.

Workers in the scissor and shear industry are highly skilled craftsmen and many have done no other type of work. The skill required in producing scissors and shears is unique to that production and cannot be readily adapted to other products. Therefore, those employees who have been forced from their jobs have found it extremely difficult to find other employment.

In importing scissors and shears the United States is actually importing labor which should be performed in the United States by workers trained for this type of work who are now unemployed.

The manufacture of one pair of quality scissors or shears in the United States requires approximately .3 hour of labor. Therefore, the estimated number of man-hours of factory work to produce the 10,652,367 pairs of scissors and shears valued over $1.75 per dozen imported during 1969 would be 3,195,710 hours. This would have provided jobs for 1,500 full-time employees.

ECONOMIC IMPORTANCE OF THE IMPORT DUTY ON SCISSORS AND SHEARS

Since the duty was reduced in 1950 and 1951 the imports of scissors and shears have increased at a rapid rate. This increase has been at the cost of domestic production and employment. The United States has lost the skills of a large segment of the employees and management of the industry as well as the capital investment in production equipment. When the cuts in the rate of duty were proposed in 1947, 1948, 1950 and 1963 representatives of our association presented statements to the Committee for Reciprocity Information and the Trade Information Committee in opposition to the proposed reductions. Probably few, if any, realized at that time the tremendous surge of imports the reductions would trigger.

The primary advantage imports have in the United States market is their low cost, which is due to the low cost of labor in foreign countries. The import duty tends to equalize the United States and foreign labor costs. However, it is obvious that the import duty at its present rate is inadequate to compensate for the difference in cost. At the present rate of duty importers are able to undersell the domestic manufacturers.

Some of the imported scissors and shears are very low in quality. However, they look nice in a blister or skin-packed packaging and the consumer has no way of knowing of the low quality until they open the package at home.

In spite of the fact that the domestic industry has reduced costs and improved the efficiency of its operations, there are many cases where scissors and shears imported under the present rate of duty are sold in the domestic market at prices below domestic production costs.

With the present conditions in the industry it is unthinkable that any consideration would be given to legislation under which the import duty on scissors and shears could be further reduced. Such action would only cause the United States to become entirely dependent on foreign producers as a source of scissors and shears.

Much basic industry in the United States is directly dependent upon domestic manufacturers as a source of quality shears and scissors of various specialized types. The high level of imports of scissors and shears is adversely affecting the operational efficiency and unit production of the domestic manufacturers. Many domestic firms have already discontinued the manufacture of specialized scissors and shears which are used by industry. The absorption of the balance of overhead expense on the small volume of such specialized industrial scissors and shears has and will further increase their costs to domestic industrial consumers or deprive industry of the domestic scissor and shear manufacturers as a source.

In the event of a national emergency during which imports were cut-off, the United States would be without an adequate source of scissors and shears, basic tools for many industries and trades essential to our defense.

HELP FROM SECTION 225(b) OF THE TRADE EXPANSION ACT OF 1962

Section 225(b) of the Trade Expansion Act of 1962 provided that if the Tariff Commission found that economic conditions had not improved in an industry, which they had earlier found threatened with serious injury from imports, its product would be reserved from negotiations. The Tariff Commission in 1954, in Investigation No. 24 under Section 7 of the Trade Agreements Extension Act of 1951, had found that scissors and shears valued over $1.75 per dozen "are being imported into the United States in such quantities, both actual and relative, as to threaten serious injury to domestic industry producing like or directly competitive products". In 1964 the Tariff Commission by a vote of 6–0 found that economic conditions in the domestic industry had not improved since 1954. As a result of this finding scissors and shears valued over $1.75 per dozen were reserved from negotiations from October 11, 1962 to October 11, 1967. Since the President was granted authority to enter into trade agreements only from June 30, 1962 to July 1, 1967 he was not permitted to reduce the duty on scissors and shears valued over $1.75 per dozen during the Kennedy round.

With this assurance that the duty would not be cut the industry went forward with programs to install more semi-automatic grinding and polishing machines to reduce costs. However, as shown in Table II even after the expenditure of large amounts for capital improvements, imports with low-labor costs were able to increase their sales in the domestic market.

The proposed Trade Act of 1970 would provide the President with authority to reduce the duty on scissors and shears valued over $1.75 per dozen by 20%. Since the last duty cuts in 1950–51, imports of scissors and shears valued over $1.75 per dozen have increased from 2,139,781 pairs in 1952 to 13,305,273 pairs in 1969. In fact, during the past five years imports have increased more than 50%. I don't think there can be any question what would happen to our industry and our employees if the duty were reduced again.

Therefore, on behalf of the domestic manufacturers of scissors and shears, I urge that no action be taken on the proposed Trade Act of 1970 without an amendment to continue the provisions of Section 225(b) of the Trade Expansion Act of 1962.

NATIONAL CHAMBER POSITION ON "TRADE ACT OF 1970" (H.R. 18970)

The National Chamber is deeply disappointed by the "Trade Act of 1970", as reported out by the House Ways and Means Committee. Unfortunately, good features of the bill are over-shadowed by other features that contradict sound economic principles and trade expansion policies which the United States has espoused and benefitted from for the past thirty-five years.

The Chamber has constantly pressed for effective methods to redress valid claims of import injury sustained by domestic interests and continues to urge the President to utilize his extensive powers forcefully under existing laws to retaliate against unfair practices by other countries, and to remove and forestall further barriers against U.S. goods.

While the present bill addresses the foregoing objectives, the Chamber is gravely concerned that further resort to quantitative import restrictions will weaken the American economy by curbing the healthy expansion of international trade. Such actions will tend to erase the trade surplus so vital to our balance of payments and do further damage to the strength of the dollar. It is particularly unsound for Congress to provide for the imposition of quotas when proof of injury is absent.

World leadership requires a recognition of our responsible role in world trade. And, if this country reverts to outdated and ineffective policies, a general constriction of world trade could result which would have dire consequences globally, particularly in the developing countries.

In the framework of freer trade policies, U.S. export gains have been steady with significant increases in high technology product categories. Exports of automotive products, for example, were $4.1 billion in 1969, representing a 120 percent increase over 1965. Chemical exports of $3.5 billion in 1969 were up 40 percent from 1965. Exports of electronic computers and components at over $700 million in 1969 were up 230 percent over 1965.

Agriculture traditionally has been one of the nation's most export-oriented industries. It would be one of the first sectors to suffer from retaliation. The output of one out of every five acres on U.S. farms is exported. Agricultural exports provide about three-quarter million jobs and account for about one-sixth of our total exports. The U.S. cannot afford to jeopardize this trade.

The U.S. also cannot ignore the four million American jobs attributable to total U.S. exports.

The benefits of export expansion will continue to accrue to American producers and consumers unless the U.S. reverts to a restrictionist policy. In this event, there is a very real risk that important export markets would be lost. Once lost, these markets would be difficult to regain. The entire economy would suffer, including protected industries. This fact makes it totally incongruous and dangerously misleading to include trade restriction quotas in H.R. 18970 along with desirable export incentive programs such as the Domestic International Sales Corporation (DISC) proposal. Export incentive policies would be meaningless if quota protection were allowed for industries meeting the rather loose criteria of H.R. 18970. Once the door is opened for quotas, can it be closed?

The Chamber asks Congress to consider these and other consequences of artificial restraints on trade, such as widespread quotas:

1. A rise in consumer prices and accelerated U.S. inflation.
2. Retaliation against U.S. exports by other countries—probaby curtailment of such high-income generating exports as automobiles, chemicals, electronic products, wheat, soybeans, feedgrains, rice, cotton, tobacco, and others.
3. Possible reduction in competitive fitness of American industry which is strengthened through the stimulation of international competition.
4. Progressive cartelization of the U.S. market, inducing stultifying controls which would distort the nation's economy and debilitate the free enterprise system. The U.S. Government would have to start allocating market shares.
5. Retardation of the economic growth of the less-developed countries, the economic viability of which is of prime concern to the free world.

The U.S. is at a momentous turning point in its trade policy. The related decisions essential to avoid irreparable contradictions in national policy should be made deliberately and objectively and without the distortions generated by domestic political pressures. The stakes are great.

The Chamber opposes enactment of the bill in its present form, and recommends that the bill be recommitted for development of a more effective and responsible measure to meet the needs of the times.

STATEMENT IN SUPPORT OF THE TRADE BILL, SUBMITTED IN BEHALF OF THE APPAREL INDUSTRIES INTER-ASSOCIATION COMMITTEE

(By Sidney S. Korzenik, Counsel)

This statement is presented in behalf of the Apparel Industries Inter-Association Committee, an organization consisting of thirty-one trade associations whose members are engaged in the production of garments and in auxiliary activities. In urging your Committee's prompt and favorable action on the Trade Bill as approved by the House Committee on Ways and Means, they express the interests of an industry consisting of some 28,000 firms employing approximately 1,600,000 persons in production and non-production jobs turning out apparel, both knit and woven, whose annual sales approximate $17 billion at wholesale. This diversified, geographically-widespread complex of manufacturing establishments processes into consumer end products most of the yarns and fabrics turned out by American textile mills.

Though large in the aggregate, the industry is characteristically one of small businesses with plants located in every state of the Union, in Puerto Rico and in the Virgin Islands, and very few of these areas have apparel employment of less than 1,000. It has always been a field of industry favorable to small enterprises. Despite that in recent years some relatively large organizations have appeared among apparel producers, technology remains relatively simple and small firms continue to predominate. The average apparel factory has fewer than 60 employees. About 85% of the producers have annual sales under $2½ million.

The industry is a cockpit of intense competition. Traditionally its profits per dollar of sales have been the thinnest among industrial groupings of the United States. Throughout the decade of the Sixties average apparel profits after taxes expressed as a ratio of sales ranged from a low of 1.3% to a high of 2.4%, according to the FTC–SEC published data on corporations. It would be lower still if smaller enterprises were included in this average.

The apparel industry is particularly vulnerable to import competition for one major and distinguishing reason: It is highly labor-intensive. Its labor costs represent a relatively high proportion of total costs and low wages alone can determine competitive success. In these days of speedy communication and transportation, the jobber with showroom on Seventh Avenue in Manhattan can almost as readily have garments produced to his design and specifications in Japan, Korea or Hong Kong as in Brooklyn, Pennsylvania, Arkansas, or elsewhere in the United States. Opportunities for automation being limited, it is not possible to overcome the foreign wage gap by means of labor-saving devices.

The basic determining facts are simple. The average hourly wage of apparel workers in Italy is about 50¢ per hour; in Jamaica 30¢; in the Philippines 23¢; in Portugal 18¢; Taiwan 15¢; India and Pakistan 11¢; South Korea 9¢, while in the United States the average in the apparel industries (SIC 23) is over $2.30 per hour.

The consequences of these basic competitive comparisons have been precisely what one might have expected. Imports of apparel last year rose to a total of 1½ billion square yards equivalent, an increase of 33% from the prior year. Approximately one-third of this total represents cottom garments subject to control under the Geneva Cotton Arrangement or "LTA" and largely because of the restraints exercised thereunder, this component of the total has been the most stable, showing relatively modest annual increments. But apparel imports in the uncontrolled areas of wool and man-made fibers show a critically serious rate of escalation. They rose last year to nearly 450% of the level of 1965—up more than fourfold in four years.

In the absence of relief, there is no reason to expect any abatement of this trend. On the contrary, it will accelerate now that commercial bridgeheads have been formed, domestic markets explored, agencies and business relations established, financing facilitated, and the rest. Such acceleration is precisely what the record indicates. Apparel imports when reckoned as a percentage of domestic output (by dollar value at comparable U.S. prices) approximated 3.9% of domestic production in 1956. But by 1965 they had risen to 13.8%. In 1969, just four years later, apparel imports had risen to 22.4%. Thus, in the last four years the average rate of increase has been twice as great as the average rate of increase in the previous ten-year period.

This comparison of imports to domestic production is a statistical generalization. It expresses an average, covering a broad variety of products. Not in all product areas, of course, have foreign goods made the same inroads. In some market sectors imports represent less than this average. In other areas, the market penetration has been far deeper than average. That the foreign producer has not yet invaded on all fronts at the same time and to the same extent is due only to the temporary insufficiency of his plant capacity. But his basic economic advantage is not limited to any particular types of apparel; nor is his machinery limited to those in which he has thus far scored his greatest success. He enjoys the same competitive advantage in the manufacturer of all apparel. Conversely, we are vulnerable in all. Apparel producers understand this very well. That is why they have all joined in this statement. The initiative is with producers abroad. Those important areas in which imports have already demonstrated their damaging effects are proof of what they can do in other areas, given time. They can choose to enter our market wherever they will. Imports have risen to 30% of domestic production in men's shirts; to 32% in women's slacks; and nearly 100% in women's sweaters, i.e. imports are very nearly equal to the domestic production of women's sweaters.

The situation in knitted outer apparel is an example demonstrating the losing battle that domestic producers have been waging against imports. In 1956 total imports of knitted outerwear in all fibers amounted to less than 3 million pounds and represented, we estimate, less than 2% of our domestic production (on a poundage basis). Last year's import total had risen approximately 37 times and amounted to 112 million pounds, which is nearly 29% of our comparable production.

This figure too is a statistical generalization of the knitted outerwear field. Certain sectors of that field were flooded more heavily than average. Imports of knitted outerwear of wool alone last year amounted to 69% of our domestic output. Imports of outerwear of man-made fiber, while not yet at that level, were rising even more rapidly. Foreign imports of men's and boys' sweaters in all fibers came to 40% of our domestic shipments and women's sweaters of foreign origin, as mentioned above, rose to 94% of the total from U.S. mills: i.e., there was nearly one such sweater imported last year for every one shipped by domestic producers. While imports have continued to increase, the production of domestic sweaters has declined. Our mills in this country produced 2.0 million dozen less of women's, girls' and infants' sweaters last year than we did five years ago. Yet last year importers brought in 4.7 million dozen more sweaters in this category than they did five years ago. Their share has grown rapidly at our expense. Our share of the market has diminished in percentage and in absolute units.

Little wonder, then, that employment of production workers in the knitted outerwear branch of the apparel industry in the United States declined by 6.5% last year and was lower still by 8.0% in the first seven months of this year. Workers who retained their jobs were on short-time, the average work week having been lower last year than at any time recorded in the last decade.

The reason for the inability of the United States industry to compete with foreign manufacturing rivals is the radical difference in labor costs. A knitted outerwear mill in South Korea, advertising its sweaters to American retailers, has boasted that "its labor costs range from 3 to 7¢ per hour to 21¢ and South Korea does not have the galloping inflation problems of other countries." And this advertisement also emphasized its "unlimited sources of cheap labor."

The United States knitted outerwear industry, like the apparel industry in general, is highly efficient. It is superior in productivity to all others anywhere on earth and has contributed to the world many advances in production technology. But however much more efficient it is than factories abroad, this is no longer enough because our wage levels are fifteen or twenty times higher. Nor can we any longer depend on improved machinery or organization to overcome the gap in unit labor costs. Foreign producers are now employing American management, know-how, and even modern machinery when they wish. But they do not have to do so in order to prevail. The manager of a knitting mill in Hong Kong explained to me that his labor costs were so low it did not pay him to install automatic machinery of the kind used in the United States. He was producing sweaters for R. H. Macy on hand-driven knitting machines. Wages are so low that the competitive advantage is on the side of the regressive technology.

From data previously submitted at your hearings in 1968 and from figures showing the rate at which imports have escalated since then, it is obvious that the need for remedial action is urgent.

The case for textile-apparel relief is distinguished by several special factors. First, as already mentioned, it is highly labor-intensive. On this point I cite a study by former Director of the Budget Charles L. Schultz (with the coauthorship of Joseph L. Tryon), Study 17, prepared for the Joint Economic Committee of the United States Congress January 25, 1960, entitled, "Prices and Costs of Manufacturing Industries." There Mr. Schultz undertook to rate the cumulative labor costs in various manufacturing industries. He found that the most labor-intensive industries in the United States were apparel and footwear.

The textile-apparel case is further distinguished by the fact that the first type of manufacture which low-wage and underdeveloped countries have entered or are likely to enter in the initial phase of industrialization is the production of textiles and apparel. Such manufacturing can both serve the home market and develop an export trade. Far from the classic case of exporters winning their way into foreign markets through superior aptitude, these foreign apparel and textile producers have captured expanding shares of our market despite their relative inefficiency solely through the exploitation of wage advantages that would be abhorrent to American standards. Moreover, the advantage that should accrue to the consumer from the lower prices of imports is not fully realized. It is in fact substantially reduced by the outrageously high markups that retailers enjoy on imported apparel.

As the President stated in his message proposing the Trade Act of 1969, for the past thirty-five years the country has steadfastly pursued a policy of freer world trade. Our tariffs are lower; our markets are more open than they have ever been. At the same time we in the United States have also been pursuing a highly protectionist policy in our labor market. We have been doing so through ever-higher minimum wages, through national policy stimulating greater aggressiveness in collective bargaining, through ever-higher social charges on payrolls for unemployment insurance, social security, medicare and the rest. Let it be recalled that shortly after the first Reciprocal Trade Agreement Act became law, the first federal minimum wage was instituted at the initial level of 25 cents per hour. We chose to pursue this policy through federal instead of state legislation on the view that differences in state standards would result in unfair competition between the states. This indeed has been the rationale and justification for federal action on all welfare legislation bearing on labor costs. Yet in our foreign trade policy we have been encouraging imports and increasingly exposing the labor-intensive apparel and textile industry to unfair competition from low-wage areas of the world in disregard of wage differences far greater and competitively more crucial than any regional differences in the United States could possibly be even in the absence of wage legislation.

For an industry as labor-intensive as textiles and apparel, it is impossible to impose protectionism in the labor market without providing some means for limiting the exposure of the products of such labor to the onslaught of competition from the low-wage areas of the world.

How then, it may be asked, do other industrialized nations with Western wage standards (though much lower of course than ours) compete with imports from low-wage areas?

The answer is: They don't.

They have employed various devices for restricting the importation of textiles and apparel. To pursue the illustration of knitted outerwear, nearly every country of Europe and several others with Western standards have quantitative limitations on knitted outerwear imports. This is true of the United Kingdom, France, West Germany, Italy, Canada, Australia, Sweden, Norway, and others.

Many of these countries have entered into restraining agreements with Japan of the kind that Japan has denied to us. Some of them have unilateral restraining devices. And some of them, as foreign manufacturers have admitted, employ administrative means of blocking imports, and these last are particularly difficult to identify because they are not published and derive from no authority in any statute, treaty or administrative regulation. By various techniques exercised by customs personnel, imports are simply barred. It is significant that the trade controls of Italy are such that in 1968 her imports of knitwear from South Korea amounted to zero—not even a sample garment entered; from Japan, zero; from Taiwan, zero; and from Hong Kong they totaled but $173,000, hardly enough to support one salesman if he had the whole of Italy as his exclusive sales territory.

It is unfair for these countries to set up dams blocking the inflow of such apparel and textiles into their markets when in consequence of such restraints more than the normal share of goods from low-wage areas are therefore sluiced into and flood our market. It is unfair that United States manufacturers supporting the competitive burdens of a wage structure determined by legislation and particularly by collective agreements should be exposed to competition from countries with wages so incomparably lower than ours. These are some of the reasons why there is such widespread concern about the injustices which our trade policy has visited on the textile-apparel field.

We have now reached that stage in the development of trade liberalization where we ought to be no less concerned with fair trade than with free trade. Otherwise, public acceptance of the entire structure of liberal trade as thus far developed will be jeopardized. The inequities caused by our liberal trade policy to these outstandingly labor-intensive industries and the further injury threatened is so egregious as to discredit the policy of trade liberalization.

What we want is fair trade. What we seek is an accommodation of a generally accepted policy to the distinguishing facts and circumstances of a special case. To refuse any accommodation and thus to impose hardship and inequity will not only cast disrepute on trade liberalization but will ultimately render it politically and economically unsupportable. That which will not bend will break. In a very real sense, therefore, it is those seeking reasonable accommodation of policy who may in the end prove to be the better preservers of trade liberalization than the doctrinaires who are so obsessed with abstractions that they ignore the facts.

There is an analogy here between the development of foreign trade policy and the development of our anti-trust law. In removing restraints of trade under the Sherman Act it became apparent after a few decades of experience that it was not enough merely to assure vigorous competition. A quarter of a century after the Sherman Act of 1890 it became obvious that certain safeguards were needed to assure that competition will be maintained only within the bounds of fair play. In 1914 the Federal Trade Commission Act was passed, prohibiting unfair trade practices. Restraints on unbridled competition were at that point engrafted on our law. We have long since reached and passed that stage in the effect of trade policy on the domestic apparel and textile industry.

As for the mode of relief: Not tariff but quantitative limitations are essential for several reasons. The wage gap and, therefore, the price gap between the United States and the countries exporting apparel is so great that the amount of compensatory tariff may be too high to be politically practicable. Further, even if this were not so, the impact of a uniform duty would be discriminatory between different exporting nations and would favor those with the lowest labor costs—those whose imports are most disruptive. An ad valorem duty, for example, on a $2.00 shirt from a low-wage country is less of an import burden than the same impost on a $3.00 shirt from a country with higher wage levels. Such a duty would encourage the countries with lowest wages. Finally, the market disruptions which the remedy should attempt to avoid would be more easily controllable through quantitative limitations than through tariffs and imports would thus be more readily adjustable through the growth of the domestic market.

To be effective, the system of controls must also be comprehensive, as the Trade Bill contemplates, and not merely selective. The relatedness of different product classifications within the textile-apparel complex makes the comprehensive remedy essential. If yarn imports should be limited, foreign yarns may enter our market in the form of sweaters; fabrics in the form of garments, and so forth. But even more important, selective relief would involve only a shift of the market areas which the exporters may choose to invade. Anything less than a comprehensive agreement will merely transfer the problem from one part of the field to another. A selective approach would be the means for avoiding import relief.

To illustrate: Recognizing the injury which imports have produced in the sweater market, Japanese exporters are already anticipating that under an agreement further growth of such shipments may be curtailed and they are therefore already planning to increase exports of knitted fabrics as well as other textile items where imports have thus far not yet penetrated as deeply. These intentions were candidly expressed in a news dispatch from Tokyo (Daily News Record, February 25, 1970). That these plans are already taking effect demontrates the ease of such a shift. Japan's exports of knitted fabrics in the first three months of this year are already more than twice what they were in the first quarter of last year (Daily News Record dispatch from Tokyo, May 19, 1970).

In the debate on the Trade Bill there has been no serious issue as to whether or not restraining agreements limiting imports of apparels and textiles are desirable. The Administration clearly prefers them. Even Senator Jacob Javits advocated that a textile agreement be reached between the United States and Japan and in fact urged one when he was in Japan. Implicit in the advocacy of such negotiated restraining agreements is the need for import limitations. The negotiation of such textile agreements is the objective of Title II of the Trade Bill. That measure contemplates that even under its provisions the quotas set by voluntary agreement will supersede those otherwise fixed by statute. The stubborn refusal of the Japanese to negotiate such an agreement with us, despite that they have accommodated other countries with such pacts, should be persuasive enough. Passage of the Trade Bill in the present session of Congress is essential for obtaining the agreements we have otherwise been denied, and pending such negotiations for preventing the further extension of injury.

We therefore urge your prompt and favorable action on the Trade Bill.

Respectfully submitted,

By SIDNEY S. KORZENIK, *Counsel.*

NOTE: The organizations joining in this submission appear on the list appended hereto.

APPAREL INDUSTRIES INTER-ASSOCIATION COMMITTEE

The Apparel Industries Inter-Association Committee is made up of the following constituent trade associations:

Affiliated Dress Manufacturers, Inc.
Allied Underwear Association.
American Cloak & Suit Manufacturers Association.
Americal Millinery Manufacturers Association.
Associated Corset & Brassiere Manufactures Association.
Associated Fur Manufacturers, Inc.
Clothing Manufacturers Association of the U.S.A.
Covered Button Association of New York City.
Greater Clothing Contractors Association.
Infants' & Children's Coat Association.
Infants' & Children's Novelties Association.
Lingerie Manufacturers Association of New York.
Manufacturers of Snowsuits, Novelty Wear & Infants' Coats.
New York Coat & Suit Association, Inc.
National Association of Blouse Manufacturers.
National Handbag Association.
National Board of the Coat & Suit Industry.
National Dress Manufacturers' Association.
National Hand Embroidery Association.
National Knitted Outerwear Association.
National Skirt & Sportswear Manufacturers Association.
National Women's Neckwear & Scarf Association.
National Millinery Planning Board.
Negligee Manufacturers Association, Inc.
New York Clothing Manufacturers Exchange.
Pleaters, Stitchers & Embroiderers Association.
Popular Price Dress Contractors Association, Inc.
Popular Price Dress Manufacturers Group.
Tubular Piping Association.
United Better Dress Manufacturers Association.
United Infants' & Children's Wear Association.

J. P. STEVENS & CO., INC.,
New York, N.Y., October 9, 1970.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: On July 24, 1970, my assistant wrote to Mr. Vail of the Committee inquiring of the possibility of my appearing before your Committee with regard to the foreign trade legislation now under consideration. This morning we received notification that, because of the time problem involved, personal appearances by witnesses are being curtailed but that interested individuals may submit statements to the Committee for inclusion in the hearing record provided it was received by October 12th. Under the circumstances, it is not possible to cover the subject very adequately in the time available. However, as Chairman of the Executive Committee of J. P. Stevens & Co., Inc., a company that has been in business for 157 years, I write to you as an individual—an average and greatly concerned American citizen—representing our 48,000 employees and our Company. I do not represent any organization.

I would remind members of the Committee that I appeared before the Finance Committee on August 9, 1962 with a prepared statement in which I urged the strengthening of the national security provisions of the proposed Kennedy Round legislation then under consideration.

I have today re-read that statement of eight years ago and, in my opinion, the basic philosophy has not only proved sound but, due to cheap imports, a higher degree of erosion of our mobilization base has occurred than even I had foreseen. Since then, some industries have literally disappeared while others, including the textile industry, find themselves suffering. As an example, our large and diversified company in its last fiscal quarter ending August 1st experienced a reduction in earnings compared with the previous year from $5,895,000 to $535,000. Imports are forcing plant curtailments and our markets are flooded with merchandise from Japan and elsewhere in the Far East.

With our Company's sales down 12% and earnings down 91% in that last fiscal quarter, I speak with great feeling on behalf of our employees on the subject of imports of textile products, especially at the moment in the field of man-made fiber fabrics and fabrics of wool.

Textile pay checks are not full. Textile plants are not running on full time and capital expenditures are off. I believe that textile workers in these United States have a right to look forward with confidence to a higher standard of living. They are not responsible for the imports which have caught up with us. But they are the ones who feel the burden most keenly; so do their families, and likewise, their community and their state. They are looking for corrective action.

Since my contact with the Senate Committee on Finance on this subject goes back eight years as mentioned, and I had interested myself in the subject of textile imports six years before that, I feel, after 14 years of effort, that we are just about at the end of the rope. Any further delay in limiting imports of textile products as contemplated in the Mills Bill and the companion Senate bills, can only result in further liquidation of plants and loss of jobs in the combined textile and apparel industries.

August 1970 imports of man-made fiber textiles were 264 million square yards, an increase of 69% over the same period in 1969. August 1970 imports of cotton, wool and man-made fiber textiles rose 18% over the comparable period last year. For the first eight months of 1970 imports of the three fibers were 2,942 million equivalent square yards or up 19% over the like period in 1969. We simply cannot live as a healthy, progressive industry with import figures of this magnitude.

My personal overriding interest continues to be the security of the country in accordance with my testimony before your Committee on August 9, 1962. This is confirmed in an address I made before the North Carolina Textile Association in Pinehurst on October 1, 1970. A reading of my testimony of eight years ago, plus a reading of my most recent statement, excerpted copy of which is enclosed, will prove the consistency of my position and the dangerous extent to which textile imports have been permitted to rise.

I am sorry I could not present these facts personally to the Committee, but I am, of course, appreciative of the tight time schedule with which the Committee is faced. Accordingly, I am sending the required 25 copies of this letter and enclosure and trust it may be included in the Committee hearing record.

If you and members of the Committee require any further information on this subject, I am, of course, ready to cooperate in any way I can.

With highest personal regards, I am,

Yours sincerely,

ROBERT T. STEVENS.

REMARKS OF ROBERT T. STEVENS BEFORE THE NORTH CAROLINA TEXTILE ASSOCIATION, PINEHURST, N.C., OCTOBER 1, 1970

It would take a far wiser man than I to project what our American textile and apparel industry is going to look like even 10 or 20 years from now, to say nothing of a half century hence. Of one thing, however, I am absolutely certain.

The American people, through the Congress, are going to have to make up their minds as to whether they want this great industry to retain its leading position as a job provider in the American economy or whether they are willing to sacrifice jobs and permit access to our markets of ever increasing floods of textile products made offshore by cheap foreign labor.

The combined industry with its 2,000,000 employees is listening very attentively right now to catch the voice and the opinion of the American people on this subject so vital to where our industry goes from here. The chips are down. The case has been argued for more than a decade. Study after study has been made. It is now in the hands of the Congress. The White House has sought action to limit textile and apparel imports. Secretary Stans has battled valiantly to achieve this. The verdict will, in my opinion, have a profound effect on textile and apparel planning for the future. It is for this reason that I hope the Senate will proceed immediately to attach the textile apparel amendment to pending legislation. Let's get on with the job.

Failure to act will stimulate offshore manufacturing by American companies for the American market. In this connection, Mr. Eugene E. Stone, III, President of Stone Manufacturing Co. was quoted recently as saying, "I'll believe we will get import relief when the Mills Bill is signed and sealed—and not before. If that relief is not forthcoming, my company will have no choice but to go offshore." That is surely a definitive statement. The Stevens Company has not and does not use foreign made fabrics. But we may have to review that policy.

Other textile companies will be reviewing their policies too. Will they increase capital expenditures overseas? Will they reduce these expenditures here in the United States? These and many other related questions will soon be up for consideration by textile and apparel planners, if import limitations do not materialize.

We all know there is very formidable opposition to limitation on imports of textiles and many other manufactured products. From the sheltered, non-competitive, confines of the classroom, for example, the economist preaches free trade. He gives little consideration, if any, to the fact that free trade does not exist except in theory. The American market is open to the products of the world. The vast majority of foreign markets are not.

We are all familiar with the dozens of devices that have been created as non-tariff barriers by foreign countries. American goods are discriminated against almost everywhere. Japan is a prime example of a discriminator against American products.

For instance, they can ship their small automobiles to the United States in unlimited quantities by the payment of a nominal 4½% tariff. American cars, on the other hand, are, to all intents and purposes, barred from the car market in Japan. Is this free trade? Must we do all of the giving?

Besides the opposition of the economists, there are other groups that have a business interest in being able to saturate the American market by using low cost offshore labor. These groups include some American manufacturers with overseas plants, high mark-up retailers, meat importers, foreign steel users, and others. While some unions, especially in textiles, apparel, shoes and steel, have shown an increasing awareness of the inroads on United States employment of the current flood of imports, it would seem that a much stronger and broader posture might be taken.

Eighteen years ago, in September of 1952, I had the honor of acting as Chairman of the American delegation to the International Cotton Textile Conference in England. This came to be known as The Buxton Conference and was attended by all of the principal cotton textile producing countries of the free world. During the course of the Conference it became increasingly clear to the members of the American Delegation that Japan would, in all probability, become a most disturbing element in international trade in cotton textiles down the road in the future.

Our feeling on this point was despite the concluding paragraph of the opening address by the Chairman of the Japanese delegation. This ran as follows:

"As I mentioned at this morning's session, our greatest hope is placed on increasing world cotton textile trading through international cooperation, and I assure you that our coming to England from distant Japan has for its object the planning of the furtherance of Japan's interests on the basis of the principle of live-and-let-live and acting hand-in-hand with all of the countries concerned."

It has been difficult to observe over recent years just where the principle of "let-and-let-live" or action "hand-in-hand" has been in evidence where Japan's relations with the United States on the subject of textiles have been concerned.

Rather, it has appeared that Japan is determined to gobble up directly or indirectly, more and more of the American textile and apparel markets. Not just in cottons, which they have done, but in woolens and worsted, which they have done, and now in man-mades, which they are rapidly doing.

Coming back to the economist, this gobbling up process appears to be O.K. with him. Most of them would just let the textile companies fall by the wayside and suggest training our employees, at Uncle Sam's expense, for some other job. Usually, they do not say what other job, where it is to be located or indicate what degree of adaptability they hope to achieve. It's an easy solution to propound. It is probably impossible to accomplish. In any event the fine people who work in these plants deserve a better fate than the depersonalized shifting about which the economists suggest.

I often wonder, when foreign governments fight so hard to protect and build up their industries, why American foreign policy seems willing at times to have many of its industries suffer severely under the banner of alleged free trade. And the bogeyman of retaliation is always set forth by opponents of any limitation on imports. It is the golden dollar market in the United States that foreign countries have their eyes on and they are not about to do anything which could adversely affect their access to our markets.

Then there is another point the free trader persistently tries to evade or ignore. Suppose our country should find itself faced with an all-out military emergency sometime in the future. What would we do then? With our textile and many other industries decimated by free trade, would it be a good way to face that emergency by having to rely on Japan or some other distant country for military fabrics and other essential war requirements?

I doubt if the American people would be content with military dependence on overseas production, if they realized this is the position the free trader might put us in. Where would be have been in World War II if we had to depend on foreign sources of military fabrics and other vital war products. We might not have survived—that is how critical the well being of strong domestic industries can be. I hope we don't take any such awesome chance.

Having served in Army procurement throughout World War II and as Secretary of the Army during the latter phases of the Korean War, I feel qualified to a degree to discuss and stress this defense aspect of our industry. I have testified before committees of the Congress on this subject and am prepared to do so again whenever called. Referring to the woolen and worsted industry, my testimony includes a statement that what is left of this part of our industry could not longer fulfill the military and essential civilian requirements of an all-out emergency. This is a serious matter for our country.

Another consideration that opponents of import limitations overlook is the position of the American farm and ranch producer of cotton and wool. What would the American farmer do without the cotton textile industry? Surely he could not replace domestic consumption with profitable exports. And, as for the wool producer, he has only one customer—the United States woolen and worsted industry. Would the free traders wipe him out completely? Where then would wool come from in time of war? Is it not possible for the free traders at least to concede that a substantial fibre-growing segment of American agriculture is a desirable thing?

Let's look at another segment of American agriculture—the beef producers. Judged by the pressures around Washington from foreign beef producing countries, we really don't need a large cattle production here. I presume the free trader agrees with this because the cost of producing beef in the United States is much higher than in Australia, New Zealand, Canada, Mexico, Argentina, Uruguay and other countries.

Again, in an emergency, where would we get our beef? Or, without an emergency, what will the housewife pay for been when the foreigners have taken charge of our supply of beef? Plenty, you may be sure, thus showing again the folly of theoretical free trade. Let's at least preserve the farm production necessary to feed, as well as clothe, our growing nation.

This may be my swan song in public appearances and, if so, I am sure there are a lot of free traders who will be delighted. I have argued with them in public and in private ever since I was an undergraduate at college. In my opinion, they overlook the fact that our forebears made a very major decision 150 to 160 years ago. They decided that the United States was going to be an industrialized nation and whatever measures were needed, would be taken.

Since we could not compete with Britain and Europe at that time, they deliberately adopted a course of protection of American industry.

If they were wrong, please blame them—not us for feeling the same way they did. After all their keen foresight resulted in the creation of an industrial machine which, twice during our lifetimes, has made possible the preservation of freedom and prevented our possible defeat by dictators. If they were wrong in their policies, then I am perfectly willing to be wrong with them now. The preservation of an all-around, strong, healthy industrial and agricultural complex is even more important now than in some of those dangerous days in the history of our country.

While on this subject, I would be derelict if I did not interject that the so-called military-industrial complex is, in my opinion, the basic foundation of our national security. That complex, controlled by our duly elected civilian leaders, is the best insurance we can have for the survival of our freedom. In their understandable desire to cut government expenditures, it is to be hoped that the Administration and the Congress will not cut our defenses too deeply.

It might surprise you to know that the Navy, in the budget for the 1972 fiscal year now under consideration, may, according to the Armed Forces Journal, have fewer ships than the Navy of 1934! That concerns me in this world of 1970 and, especially so, in view of the rapid emergence of a large, completely modern, Russian Navy.

Just three days ago Chairman L. Mendel Rivers of the House Armed Services Committee warned the nation that unless the "deterioration in our military capability" is reversed, he foresaw the United States being "pushed out" of the Mediterranean, forced to accept a Soviet submarine base in Cuba and eventually unable to deter Soviet aggression. He said, "We are on the brink of disaster." And he urged that our nation provide itself with a modern Navy second to none. I joint him as I am sure you do in that great hope.

STATEMENT OF BRUCE N. LYNN, PRESIDENT, NATIONAL COTTON COUNCIL OF AMERICA

My name is Bruce N. Lynn. I am a cotton farmer from Gilliam, Louisiana. I am submitting this statement as president of the National Cotton Council, which is headquartered at Memphis, Tennessee. The Council is the central organization of the cotton industry, representing producers, ginners, warehousemen, merchants, cottonseed crushers, cotton cooperatives, and cotton textile manufacturers.

During the year 1969, our country imported about 1,017,000 bales of cotton in the form of manufactured textile products. During the first seven months of 1970, these imports have been at a rate equivalent to 1,031,000 bales per year.

Twenty years ago, our imports of cotton in manufactured form were relatively insignificant. Nearly two-thirds of all the growth in these imports has occurred within the past ten years. More than one-third of it has come within the past five years.

To the casual observer it might appear that the rate of increase has slowed down just a bit during the past two years, since the imports rose "*only*" 93,000 bales or a little more than 10 per cent from 1967 to 1969. But any such appearance is highly deceptive. If we consider the whole picture, the rate of increase in cotton textile imports has never been more disturbing than it is today. Allow me to meniton two parts of that picture.

First, we are looking at a two-year period in which the domestic mill consumption of cotton actually declined by a full million bales. It dropped from 9.2 million in 1967 to 8.2 million in 1969. Into that tragically depressed domestic market for cotton our foreign competitors poured not less, but more of their products. When they shipped us 924,000 bales in manufactured form during 1967, that was just over 10 per cent of our domestic mill consumption. But when they sent us 1,017,000 bales in 1969, that was 12.4 per cent of it. But this is only a part of what happened.

Second, the imports of textile products from man-made fibers jumped in those same two years by 83 per cent. As we roughly compute the cotton equivalent of these imports, they rose from 488,900 bales in 1967 to 895,400 bales in 1969. This is where the expansion was occurring in the domestic mill market. Moreover the man-made fiber products were allowed to enter this country with no quota restraints whatever. So this is where the main blow of the imports fell. These imported textiles compete vigorously for all our cotton markets. They increased from 5.3 per cent of domestic mill cotton consumption in 1967 to 10.9 per cent of it in 1969! If we combine these imports with those made from cotton, we find that the total rose from 15.3 per cent of domestic mill cotton consumption two years ago to 23.3 per cent of it in 1969. Never before have we lost markets to imports at such an alarming rate.

Why are these imports coming in? For the most part, the answer is a simple one. Textile products, including clothing, require a great deal of labor. Textile plants and garment factories can be and are being built in countries where wages are very low by the standards which are necessary in the United States. We have compiled figures on our cotton textile imports in 1969 from the 20 largest suppliers, accounting for 93 per cent of the total. We found that more than 90 per cent of those imports came from Hong Kong, Japan, India, Pakistan, Taiwan, Mexico, Brazil, Korea, Singapore, Egypt, Portugal, Spain, Colombia, and the Philippines. Foreign-produced cotton goes through the mills of those countries and rides into our domestic markets on the backs of cheap foreign labor. This is competition which our domestic mills, which must use our own cotton, are unable to meet. It is a bottonmless pit in which more and more and more of our domestic fiber market could be lost.

The case is only moderately different with man-made fiber textiles. Japan, which is still a cheap labor country itself, sent us about one-third of all our man-made fiber textile imports last year. Of the rest, about 55 per cent came from Taiwan, Korea, Hong Kong, the Philippines, Mexico, Span, and Singapore.

In the old days, when the standard arguments for free trade were being written into our textbooks, capital and technology did not move very speedily from one country to another. Today it is possible for the most backward countries to install textile or apparel plants which are as modern and efficient as they care to make them. This, in combination with cheap labor, has created a problem of a magnitude that the world has never experienced before. European countries have a great variety of special quota systems, licensing arrangements and other devices for keeping these imports under control. By comparison, the United States has stood out as the one great market into which more and more of them could be poured.

There is today a lot of loose news reporting which gives a very false impression of what we are trying to do. We are not requesting that all this import competition be denied access to the American market. We are not requesting some unreasonable cut-back in the level of these imports. We would not close the door to still further expansion. Cotton people have always believed in a high level of international trade, and we do today. We have always believed in competition, and we do today. All we ask is that a rising tide of imports, based on the use of cheap foreign textile labor, not be allowed to engulf the domestic market for our cotton.

If it is our national policy to let our cotton economy be destroyed in this way, then a lot of other efforts to save it and put it on a healthy basis are being made in vain. We all know that cotton is in deep trouble. But many people are thinking and acting responsibly about the problem. This fiber has a great potential to become once again a profitable, self-sustaining, highly progressive part of the American economy. A lot is at stake, not only for the 1,300,000 Americans who live on cotton farms and the 5,000,000 Americans who depend to an important extent upon employment involved in producing, marketing and processing cotton and cottonseed, but also for all of American agriculture and for the strength of our whole economy, our whole country.

A big part of the challenge has to be faced by the Congress itself. In this session great consideration has been given to the kind of farm program that we are going to have in the years ahead. A sound program will involve costs for the American taxpayer, but those costs are being faced with the realization that so much is at stake for every one involved.

Large parts of the challenge are being faced by individual American citizens. Cotton farmers in particular are voluntarily paying a dollar a bale of their own money to support long-range programs of research and promotion, which have a big potential for reducing costs and reviving market growth. In this and many other ways, cotton people are facing the great costs of an adequate effort to put cotton on a more healthy basis. At this critical point in time they deserve help, not discouragement.

If all these efforts, public and private, are to mean anything, they must not be undermined by an unrealistic trade policy. If we succeed in the great effort to put adequate research and promotion behind our cotton, and if the Congress passes a farm program which is otherwise sound, we could still see our cotton economy go down the drain if our domestic market should be eaten up by import competition which is completely impossible to meet.

The National Cotton Council, in supporting reasonable restraints on textile imports, is in no sense overlooking the vital importance of raw cotton exports to our whole cotton economy and to the entire Nation. Let me say with all possible emphasis that our cotton producers and our cotton industry cannot survive without a strong and healthy export market for cotton. Our exports last season and the one before were down to the very low figure of 2¾ million bales. This is too small an export market. It must be greatly expanded. We have real problems in the export field. They must be understood and overcome. They certainly require that our federal government have sound policies in this area.

From time to time we encounter the argument that if this country adopts measures to save its domestic market from an unreasonable volume of imports, it will thereby destroy its export market. We reject this point of view. We hold that both the domestic and the export markets are essential and that both can be preserved. Positive steps need to be taken in the interest of greater exports. But on this occasion we must deal with the negative argument that we cannot protect our domestic market without hurting our export market.

It is sometimes said that when we import cotton textiles, we are merely bringing back cotton which we had previously exported as raw fiber. There is not much to this argument today. In 1968–69, the last season for which we have complete figures, the ten countries which sent us the largest quantities of textiles got only 9.4 per cent of their total raw cotton requirements from the United States. As a matter of fact, in recent years the countries showing the biggest percentage growth in textile exports to the United States have been those which grow a large amount of cotton themselves. Last year, for example, Mexico, Brazil, India, and Pakistan increased their total textile shipments to us by 60,000 cotton bale equivalents, or nearly 50 per cent. And now it has to be recognized that the biggest and most damaging increases in our textile imports are no longer cotton textiles, but are made predominantly of man-made fiber.

Today the chief argument which we hear is that if we strengthen our import controls, foreign countries will "retaliate" by refusing to buy from us. This kind of threat seems to be used especially with respect to Japan. Actually, however, we have seen our cotton exports decline a great deal over the very same years when our textile imports were greatly increasing. Mexico imports no cotton textiles at all from Japan, or virtually none, and yet last season Japan imported more cotton from Mexico than from the United States. We have studied the records of the 15 foreign countries having the largest exports of cotton to Japan last year. They shipped Japan nearly four times as much cotton as we did, but they bought less than half as much cotton cloth from Japan as we did. If our textile imports really did affect the decisions of the Japanese on where to buy their cotton, they should be buying a great deal more from us now.

Since this argument has become so absurd, the threatened "retaliation" has been broadened to embrace all of our agricultural exports to Japan. Earlier this year a newspaper published in Memphis said in an editorial that "Japan has let it be known that if Washington should impose quotas on her textiles, she will retaliate by reducing her imports of United States agricultural products." This is spelled out in terms of potential damage to our important Japanese market for soybean exports.

While the retaliation argument is developed fully in the attachment to this statement, a few more comments are in order.

Japan is a great nation and a great ally of the United States. We thoroughly appreciate the fact that Japan is the largest single foreign customer for our exports of cotton and soybeans. We respect our Japanese friends, and for that very reason we feel that the alleged threats of retaliation are unworthy of them. Let us analyze the situation just a bit.

So far as individual business men in Japan are concerned, they obviously will continue to do their buying where they can get the best deal, all things considered. Any serious retaliation would have to come from the Japanese government itself. But let us contemplate what that would mean, first on moral grounds, and then on practical or economic grounds.

Morally, Japan is in the worst possible position to oppose efforts of our government to defend our own economy. After World War II Japan was a prostrate country. The United States held overwhelming economic power. We poured our resources into rebuilding the Japanese nation. The General Agreements on Tariffs and Trade was adopted in 1947. It condoned extremely protectionist policies in a country like Japan, which was in great balance of payments difficulty. At the same time the United States led the world in the liberalism of its own import policies.

Through the years since 1947 the world scene has radically changed. With our help the Japanese economy has become the most dynamic in the world. Its industrial production and its exports have doubled in the last four years. Its reserves of gold and foreign exchange have almost doubled. Today our own economy is in grave difficulty and our balance of payments position is severely weakened. While Japan has had very little military expense since World War II, we are defending her vital interests in South Vietnam as well as Korea with our lives and resources. That very fact is at the root of the inflation which has contributed so greatly to the weakening of our balance of trade. Against this background, how in the world could Japan object on moral grounds when we are merely trying to get reasonable protection for our own economy?

On the ground of Japan's own self-interest, her case for retaliation against us would be equally absurd. Japan is highly dependent on her export market, and nearly one-third of her entire export trade is to the United States. Our highly vulnerable domestic market has been the key to her success. She ships more goods to us than to all of Europe plus Canada, Latin America, Australia and the entire Communist Bloc combined. We greatly value our export trade with Japan, but it has to be remembered that we buy a great deal more from her than she buys from us. If Japan should slap us in the face by "retaliating" against us for reasonable efforts to protect our economy in our own time of distress, she would be inviting real disaster for herself. Retaliation is a two-way street.

We need not worry too much about vague threats that reasonable import protection will destroy our present small export market for cotton. The emphasis of our thinking should be on positive ways to rebuild and expand our cotton exports. Just as a healthy trade policy must keep imports within reasonable bounds, it must also put great stress upon the essential role of exports. For many years our cotton exports earned half a billion dollars or more annually in hard foreign currency. We face a challenge and an opportunity to return to that level of exports and go above it. The Cotton Council has a strong and well-rounded program for export expansion. We believe it can succeed. It must succeed.

May I close with an expression of appreciation to the Members of the Committee for the time and interest which you are devoting to this subject. We respectfully urge that the textile provisions of H.R. 18970, as reported by the Ways and Means Committee of the House, receive favorable action at the earliest possible time.

The Mills Bill and the Retaliation Argument

(By McDonald K. Horne, Jr., former Chief Economist, National Cotton Council)

The Trade Act of 1970, which is now before the U.S. Congress, contains as Title II some provisions to put restraints on the rising imports of man-made fiber textiles, wool textiles, and leather shoes. This title is a modified version of H.R. 16920, which was introduced earlier by Congressman Wilbur Mills and became widely known as the Mills Bill. We shall refer to it herein as the Mills Bill.

The opponents of this bill argue that some of the countries exporting the affected articles would retaliate against us and thereby trigger an international trade war. It is said that the threat of retaliation comes especially from Japan and applies particularly to our exports of farm products.

This idea has gained wide circulation and has become the chief argument used against the bill. Typical is this editorial comment by a leading newspaper in a great cotton and soybean producing area:

"Japan has let it be known that if Washington should impose quotas on her textiles, she will retaliate by reducing her imports of United States agricultural products."

Japan is the largest importer of our cotton and soybeans. If the retaliation threat is genuine, it is an extremely serious matter. But likewise the import problem is extremely serious.

Two possibilities seem obvious: *Either* the retaliation threat is genuine—*OR* it is a scare tactic, adopted by the interests which profit directly from U.S. imports of these particular goods, and accepted uncritically by all those groups who habitually oppose any trade restrictions.

Which is the true situation?

Many people have strong inclinations to line up rather promptly on one or the other side of this question. For example, anyone who depends heavily on an export market is automatically inclined to oppose anything which raises the slightest threat, however thin and remote, of retaliation against our exports. This is understandable, and it may explain why a good many of our fine citizens have accepted the retaliation argument and are helping to promote it.

But for a cotton economist the issue is far from simple, since cotton is deeply involved with both sides of the argument. We depend heavily on raw cotton exports (now about 2.7 million bales a year) and we are heavily damaged by imports of cotton and man-made fiber textiles (now some 2.1 million bale equivalents per year, and rising steeply).

On the surface, the first inclination may be to accept the retaliation threat at face value. But for those of us who are obliged to look below the surface and search thoroughly for the facts of the matter, the picture is quite different. There seems to be impressive evidence that any responsible foreign government would be most reluctant to retaliate seriously against the mild restraints which the Mills Bill would provide.

The evidence will be summarized largely in terms of the affected imports which are of most concern to cotton people, namely man-made fiber textiles. It will be presented under four headings: (1) The acuteness of the problem and the mildness of the remedy, (2) Japan and our agricultural exports, (3) the policies of 1947 and the conditions of today, and (4) the lack of other arguments.

(1) THE ACUTENESS OF THE PROBLEM AND THE MILDNESS OF THE REMEDY

The size and momentum of our textile imports really do threaten destruction to great parts of the U.S. economy. In man-made fiber products the imports have nearly doubled in the last two years and now exceed a million cotton bale equivalents. In these, plus cotton products, the imports have more than doubled in the last five years and now exceed two million bales (equal to one-fourth of U.S. mill cotton consumption). The causes are (a) cheap foreign wages combined with world-wide access to textile capital and technology, and (b) the refusal of other advanced nations to accept a reasonable share of the exports from cheap-labor countries, thus forcing the bulk of them onto the relatively open U.S. market. These two factors give every sign that they will cause continued acceleration of the U.S. textile imports if our government policy permits.

In the face of this condition, the Mills Bill is astonishingly mild. Public attention centers on a formula which it provides for the establishment of unilateral import quotas, but few people seem to know that the bill clearly invites all countries to avoid the formula by negotiating bilateral agreements with the U.S. government. In reality the bill merely seeks to establish the same import plan for textiles of man-made fiber and wool, which has been in existence for cotton textiles since 1961. Since that year the cotton textile imports have increased from less than 400,000 to more than a million bale equivalents (and would have gone much higher if the domestic market had not been depressed by inter-fiber competition and a recession). The original bill even cites the cotton arrangement as the kind of thing which is needed. Big new loopholes are provided even exceeding those which have been usd to expand th cotton textile quotas. Presumably the bilateral agreements would be negotiated by the same government agencies, including the State Department, which have handled the cotton textile quotas.

(2) JAPAN AND OUR AGRICULTURAL EXPORTS

A tip-off as to the nature of the retaliation threat may be found in the fact that it is associated primarily with Japan and most of all with her imports of our agricultural products, particularly soybeans. To the superficial observer, this is the most likely place to expect trouble; but under any real analysis, it becomes about the most unlikely. Japan has laterly become "the second economic power in the free world," [1] and she has done this despite an "almost total lack

[1] Nelson A. Stitt, Director, U.S.-Japan Trade Council, in testimony May 19, 1970 before U.S. House Committee on Ways and Means (p. 1070 of published hearings).

of natural resources."[2] An economy built entirely on industry and on exports depends for its life on importations of raw materials and food.

Japan buys our soybeans, for example, because she needs them vitally. She already buys most of China's exportable soybean supply, and there is no practical outlook for much increase in that supply (loose threats to the contrary notwithstanding). In 1969 the world exports of soybeans came from the following countries:[3]

United States	311.1
Mainland China	18.2
Brazil	11.4
All other	1.7
Total	342.4

China's exports of soybean oil and meal were even less significant.

Last year 13.8 million bushels, or 76 per cent, of China's soybean exports went to Japan. Any notion that this source of supply could become a damaging competitor for United States farmers seems far out of keeping with the following comments by the U.S. Department of Agriculture:[4]

"Since 1958 there has been a significant reduction in China's soybean acreage in compliance with the regime's general policy to convert land from low-yielding crops to high-yielding ones. (The soybean is considered a low-yielding crop.)

"Since 1963, it also has been the regime's policy to limit the acreage of 'economic crops' considerably below the 1957 level so that more land is made available for the production of food grains. Thus China's soybean production in the last decade is believed to have been considerably below the level of early 1950.

"Based on data from importing countries, exports of soybeans from Mainland China in 1969 appear to have been somewhat below the 1968 level. Exports in the last 6 years, however, have stabilized around 20 million bushels—far below the levels of the late 1950's and the 41 million bushels exported in 1960. . . . Exports to Japan in 1969 were the lowest since 1965 and no significant change is foreseen in 1970."

When we turn to cotton, the retaliation threat should come into clearer focus. We depend upon Japan as our greatest cotton export market. The Japanese textile industry buys American cotton and sells cotton textiles on the American market. Presumably the most logical place to promote the retaliation scare would be right here. The reason for little mention of cotton, however, is that cotton people have lived so close to this subject for so long that they tend to understand it.

Retaliation would not come from individual Japanese business firms. Quite sensibly, they buy their cotton where they can get the best deal. For example, they purchase about one-half of Mexico's export cotton year after year, although they sell virtually no textiles to Mexico. Last year Japan bought more cotton from Mexico, a near-zero customer for her textiles, than from the United States, her biggest customer for textile exports and for all exports.

Any practical decision to retaliate against American exports would have to come from the Japanese government rather than her business firms. But Japan's meteoric rise to economic power would have been impossible without direct help from this country and without our investment of American lives and treasure in Korea and Vietnam. Japan, like many other countries, has gained upon us in economic power while we bore the cost of defending her vital interests. Even if she were morally capable of striking us now in our time of trouble, she could not do so economically without incredible recklessness. Her strength rests on exports, and nearly one-third of her entire export trade is with the United States. Last year she sent us \$5.0 billion worth of goods and imported only \$3.5 billion from us. Would she gamble this kind of trade position by arousing our farmers and all our people against her? Would she be so irrational as to risk starting a trade war with a country which buys \$1.5 billion more goods from her than it sells to her?

[2] Kazuo Nukazawa, Research Consultant, U.S.-Japan Trade Council, *Japan's Foreign Economic Policy: Options for the Seventies* (May 1970) p. 3.

[3] U.S. Department of Agriculture, *Foreign Agriculture Circular*, July 1, 1970, p. 3.

[4] *Ibid.*, pp. 18–19.

(3) THE POLICIES OF 1947 AND THE CONDITIONS OF TODAY

The United States "has played the leading role in creating the highly successful liberal world trade environment of the postwar period." These are the very true words of an advertisement sponsored in the *Wall Street Journal* by the Bank of Tokyo and Nissho-Iwai Co., Ltd.[5]

When the General Agreement on Tariffs and Trade was formulated in 1947, the United States had an overtowering advantage in world trade. The GATT was calculated to encourage other countries, prostrate from World War II, to pursue protective trade policies while we stood far out ahead in the liberalism of our own. Today our competitive position in the world is incomparably weaker than it was 23 years ago; great new trading blocs have arisen to weaken us further; and our balance of payments is chronically sick with no real cure in sight. Yet we are still expected to set a liberal trade standard which other countries do not follow.

As Stanley Nehmer, Deputy Assistant Secretary of Commerce, stated recently:[6]

"We are the only major market in the world without quantitative limitations on imports of wool and man-made fiber textiles and apparel. Many importing countries have unilaterally imposed restrictions. Other countries have reached bilateral agreements limiting trade. Japan, for example, has agreements with nine importing nations restricting trade in wool and man-made fiber textiles."

All the major Western European countries have discriminations against Japanese exports[7] and a host of devices to keep out textiles from less developed countries. Secretary of Commerce Maurice Stans testified recently as follows:[8]

"Data now available show that in 1968 while the United States took 20 per cent of Japan's textile mill product exports, the European Economic Community imported only 3 per cent. We imported 51 per cent of Japan's apparel exports and the EEC took only 5 per cent . . .

"We imported 38 per cent of Hong Kong's apparel exports in 1968 (first half only) while the EEC took 14 per cent. In the mill products sector, we imported 32 per cent of Hong Kong's exports as against 2 per cent for the EEC. We think the reason for this is that the European Community is deliberately keeping these goods out of their market . . .

"In short, our market has been open while others have been closed . . ."

The Common Market countries have a system of agricultural price supports which, in the estimate of U.S. Secretary of Agriculture Clifford M. Hardin, costs its citizens about $15 billion per year.[9] He points out with very justifiable concern that for at least two years the Common Market has been threatening to impose an import levy on soybeans.[10]

This serious threat exists quite apart from anything contained in the Mills Bill. It is conceivable, as some claim, that the Mills Bill could be used by the Common Market as an excuse for taxing soybeans; but if so, it would be only a cynical pretext for a step that was taken for other reasons. The Europeans are interested in such a levy as a means of bolstering their domestic markets for butter and coarse grains, as Secretary Hardin brings out. If the Europeans decide to tax soybeans and the Mills Bill is not available as a handy pretext, they can easily find another. We cannot afford to be intimated by such threats today. We should oppose the soybean tax on its merits with every bargaining weapon at our command, but we should not allow it to divert our attention from the inequities already existing in the textile trade, in which the Europeans are far more protectionist than we are.

(4) THE LACK OF OTHER ARGUMENTS

The suspicion arises that the Mills Bill opponents lean so heavily upon the retaliation argument because, however weak, it is the best one they have left. It cannot be absolutely disproved because no one can be sure that other nations will act rationally. It can only be replied that there comes a point (and we have reached it) when we have to assume that other nations will behave more

[5] *Wall Street Journal*, August 3, 1970, p. 5.
[6] Address before the Linens and Domestics Buyers of America, February 4, 1970.
[7] Kazuo Nukazawa, *op. cit.*, pp. 5 and 7.
[8] Before the House Committee on Ways and Means, May 12, 1970 (Page 442 of published hearings).
[9] Testimony before U.S. House Committee on Ways and Means, May 13, 1970 (p. 638 of published hearings).
[10] *Ibid.*, pp. 635–637.

like equal partners in responsibility, recognizing the up-to-date facts of our situation. But it is easier to wave a red flag of fear and intimidation over this inconclusive situation than to stand seriously upon any other arguments. There are indeed some other arguments which have been valid and powerful in the past. The opponents of the bill mention them fleetingly but do not pursue them, because they will not stand up before today's facts.

One is that "we must import if we want to export." This argument was overwhelming 15 or 20 years ago, when the whole world was obliged to scramble for our dollars. But that situation is long past. During the 1960's our imports grew from $15 to $36 billion while our trade surplus virtually disappeared; our gold holdings dropped by $6 billion; and foreign liquid claims on the dollar doubled and reached $42 billion. Moreover the Mills Bill involves no serious likelihood that our imports will be reduced or even held where they are.

Another possible argument is that any tampering with textile imports might worsen the problem of inflation. This potent theory is shaken badly when put to empirical tests. Across the past two years of rapidly rising prices (June 1968 to June 1970) textile products have been among the *least* inflation-prone. This is true both of cotton textiles (which are already under an import quota system) and of other textiles (which are not).

At the wholesale price level (which is most relevant to imports) the index for all industrial commodities rose 7.3 per cent (from 108.8 to 116.7) while that for all textiles and apparel rose only 3.9 per cent (105.2 to 109.3), and this increase occurred largely in import-dependent silk and jute products along with apparel. The index for cotton textile products rose only 1.1 per cent (104.7 to 105.9), while there were declines of 1.0 per cent in man-made fiber textiles (89.9 to 89.0) and of 1.0 per cent in wool textiles (103.8 to 102.8).

The explanation is (1) that our fiber prices, on the whole, have declined even in the face of inflation, and (2) that our textile firms, as usual, have displayed the characteristics of an exceptionally competitive industry. The decline in corporate earnings since the second quarter of 1969 saw the net profit on sales of all manufacturers drop 22 per cent by the first quarter of 1970 (from 5.1 to 4.0 per cent) but that of textile companies dropped 34 per cent (from 3.2 to 2.1 per cent).

A third argument is the classical one that broad markets encourage efficiency. Free trade directs and stimulates every one to do what is best for all. But we already have within this country the blessings of a larger free trade economy than Adam Smith could possibly envisioned for the whole world. Our textile manufacturers face the pressure of intense competition at home and of unfair competition from abroad, which is endlessly expanding.

It is time to recognize that competition of this kind can reach a level where it becomes quite damaging to efficiency. Down to the year 1966 our textile industry's investment in new plant and equipment showed a healthy upward trend, in line with the growth of demand and with the investments of other industries. But since 1966 the capital investment of the textile companies has gone into a steep decline (from $820 to $560 million) while the economy continued growing, as did the new investment of other industries. Efficiency today turns on ever increasing investment in the equipment of new technology, but there obviously is increasing doubt that our own textile manufacturers would be wise to continue such investment. Their return on stockholder's equity has declined steeply since 1966 and is now 5.4 per cent. It seems now that efficiency would be served by restraining some of the unfair competition, so that our domestic industry can achieve more of is own potential for progress in efficiency. Apparently benefits would accrue to consumers, as well as to the industry's workers, investors, and suppliers.

The Mills Bill is being opposed by an impressive list of economists under the aegis of the Committee for a National Trade Policy. Their appeal is based on the forthright claim that this bill is similar in its significance to the Smoot-Hawley Tariff Act of 1930.

This requires quite a leap of the imagination. The Smoot-Hawley Act of 1930 climaxed several decades of increasing protectionism. It gave us the highest tariffs in our history. The rates were placed so high that in 1931 our customs receipts averaged 53 per cent of the value of dutiable imports, and in fact were largely prohibitive. But since that time we have had four decades of ever more liberal trade policies, so that in 1969 the average tariff on dutiable goods was only 11 per cent.

A resolution opposing Smoot-Hawley was endorsed by virtually all the leading economists of 1930.[11] Clearly they were right. But we are living now in a completely different era against a background of highly contrasting circumstances. Consider the record of foreign trade leading up to the Smoot-Hawley Tariff as compared with that which now confronts us. These are the figures in thousands of dollars.[12]

Year	Imports	Exports minus imports	Year	Imports	Exports minus imports
1924	3,610	888	1964	18,647	6,831
1925	4,227	592	1965	21,496	4,951
1926	4,431	281	1966	25,463	3,926
1927	4,185	574	1967	26,821	3,860
1928	4,091	939	1968	32,964	624
1929	4,399	758	1969	35,835	638

In the five years preceding 1930, imports rose by a net of only 22 per cent, and exports kept reasonable pace. But in the five years preceding 1970, imports nearly doubled, and exports lagged badly. Prior to Smoot-Hawley, there was no significant weakening in our healthy trade surplus; but from 1964 to 1969, a surplus of about $7 billion largely disappeared.

When the Kennedy Round of tariff cuts was being proposed in the early 1960's, our balance of payments was already being threatened, and the emergence of the Common Market as an inward-looking trade bloc was raising further concerns. The rationale of the Kennedy Round was that we could meet this problem by giving the world a further example of leadership in trade liberalism. It was theorized that if we encouraged a faster expansion of imports, we could induce other nations and trade blocs to accept such an expansion of our exports that our *net* export balance would be strengthened. The figures above show that the theory has worked very badly indeed.

Yet we are told now by the eminent economists that the way out of our difficulties is to push on further with the same theory. They say that the Mills Bill would be "as perilous to the nation's interest today as was the Tariff Act of 1930." They insist that even under present conditions our foreign friends would strike back at us for even such a modest effort to cope with our problems. Are other nations so impervious to reality, and our own diplomats so impotent, as to permit a trade war to grow out of this situation?

In 1930 we were carrying no world-wide military and economic burdens like those of today. We did not picture ourselves as a nation with unlimited power and obligation to support the world. In 1930 we held gold stocks as large as our annual imports, and there was no real strain upon our balance of payments.

In the relatively settled days when free trade was installed as a sure virtue in our textbooks, men could hardly dream of the explosive changes which have come to the world in the 1950's and 1960's. They could scarcely have imagined that colonialism would collapse so suddenly, or that communications, capital, and technology would spread in all directions so rapidly.

In 1930 men were accustomed to changes in international trade which came by relatively small increments from year to year. There is nothing in our previous experience which even compares with the pace and magnitude of the expansion in our textile imports during recent years.

Part of the conventional theory is that an advanced economy should be willing to abandon its more labor-intensive enterprises. As Mr. George Ball said recently on television,[13] we should be "moving more and more into the more sophisticated, capital-intensive kinds of production and leaving certain areas for the less developed countries. . . ." Textiles were mentioned as the classic case of an expendable industry. This is all very well for professional world traders and for academicians, but we have never before come up against the harsh reality of letting this theory destroy one of our greatest industries. Does practical judgment really say that this would be wise—wise at a time when we are already striving by a number of other governmental means to maintain our balance of payments? Who is to say that we can do without this basic part of our economy in years ahead?

[11] Including Claudius T. Murchison, who was later to become president of the Cotton Textile Institute and economist of the American Cotton Manufacturers Association.
[12] Source: 1924–29, U.S. Bureau of the Census, *Historical Statistics of the United States* (1949). 1964–69, *Economic Indicators*, prepared by the President's Council of Economic Advisers, July 1970. Military sales and expenditures are excluded.
[13] The NBC *Today Show*, Aug. 18, 1970.

No other "sophisticated, capital-intensive" nation has ever faced this practical condition and decided to let its textile industry go. As a matter of fact, we need only consider the nations now said to be threatening retaliation if we put very modest restraints on the exports of their *textile* industries. They are the other most "sophisticated, capital-intensive" countries in the world. Theories notwithstanding, they see no wisdom in giving up any potential textile market. Should we?

The appeal made here is not to repudate the men who wisely opposed the Smoot-Hawley Tariff or to belittle the need for expanding world trade. Rather it is that we should be realistic in pursuing policies which are right for our time and place in the world. Ever since World War II, our great and powerful country has been carrying the lion's share of the free world's military and economic burdens. Other nations have thrived on this relationship. In relative terms, our own economic strength has declined tremendously. Our national policy is now moving insistently toward a new relationship, in which other nations are expected to take responsibilities more in line with their capabilities. This is the only possible course for us, and we have to follow it in trade as in other fields. Other nations must not become outraged and vindictive when we take even very modest steps to protect our own economy, as they have long done.

As a matter of fact, there are strong off-the-record indications that responsible members of the Japanese government (and no doubt, of others) understand our position far better than the public is led to believe by the assorted private interests which are kicking up the talk about retaliation. If our diplomats are at all competent, they should be able to explain the need for the Mills Bill so that other governments will accept it with understanding.

Mr. Wilbur Mills of Arkansas, the able and respected Chairman of the House Ways and Means Committee, has long been known for his liberal attitude on trade policy. He makes it quite clear that his principles have not changed, but that neither has his capacity to grasp the realities of a changing world. The Mills Bill should be adopted.

STATEMENT OF IRA H. NUNN, WASHINGTON COUNSEL FOR THE NATIONAL RESTAURANT ASSOCIATION, TO THE SENATE COMMITTEE ON FINANCE, OCTOBER 12, 1970, ON FOREIGN TRADE

Mr. Chairman and members of the Committee, my name is Ira H. Nunn. I am the Washington Counsel for the National Restaurant Association, a trade association with approximately 13,000 members of its own which, through its affiliation with 137 State and local restaurant associations, represents about 110,000 eating and drinking establishments in all parts of the country. The National Restaurant Association has members in all types of food service, institutional feeding and industrial catering as well as drive-ins and restaurants of all types.

Our purpose in appearing here, Mr. Chairman, is to express our views on legislative proposals now pending before Congress which would place more stringent limitations on the quantity of fresh, frozen, and chilled meats that can be imported into the United States.

Our members do not import meat. Our interest in this matter is identical to that of the American housewife who seeks to provide nourishing, palatable foods to her family at a cost consistent with her budget. In other words, we are here as consumers. We believe that with the current market demand for beef any further restriction in the supply is certain to raise the price of hamburger and hot dogs. To the best of our knowledge, even those who are in favor of greater restrictions on imports of meat do not contend otherwise.

I refer specifically to beef, because beef is the central issue in this matter. Over 90 percent of all-imported meat is beef. The target of lower quotas is beef. There is a sound reason why beef is the leading imported meat product. It is in great demand. The per capita consumption of beef in the United States in 1945 was 59.4 pounds. By 1957 this had risen to 84.6 pounds, and per capita consumption today is over 109 pounds. During this same period, the population has grown from about 130 million to over 200 million. Mr. Chairman, when we observe this phenomenal rise in demand, it seems we might better occupied in assessing the adequacy of our sources of supply and expanding them, rather than considering methods to reduce that supply. The law of supply and demand operated to illustrate this point dramatically a little over one year ago when ground beef rose from 55 to 66 cents per pound in a year's time and frankfurters rose from 69.6 cents to 78.4 cents a pound during the same period.

This is our principal concern in this matter. We believe it is possible to price a product out of a market. However appealing hamburgers and hot dogs may be to the American palate, prices can and do operate to change tastes. Economic pressures have induced the acceptance of substitutes in other commodities and can do the same for beef. We would prefer to avoid this and we believe it is in the best interest of our meat industry to avoid it. To our industry, the issue assumes great significance for we know that eating away from home, the pleasure of eating out, can diminish, when the cost becomes too high. We know too that the principal products from manufacturing beef, hamburger and hot dogs, are a mainstay of the low income family's diet. High prices for these high protein, nourishing meat products hit our low income families the hardest, both at home and when they eat out.

It is our understanding that American cattle raisers want greater limitations placed on imported beef because they believe such imports compete with their product. We do not believe this to be true to any significant degree. Let me explain why. Imported beef is the product of lean grass-fed cattle. Its normal fat content runs to about 10 percent. The great majority of such lean beef is of cutters or canners grade and is used principally in the manufacture of hamburger, hot dogs, and sausage where fat content is restricted by government regulations. Our domestic source for this type of beef has been retired dairy herds. The number of cattle in these herds has been steadily declining as technology has greatly increased the milk yield per cow and the productive life of each animal.

Coincident with this decline in supply has come a spectacular increase in demand. The efforts of our meat industry have been directed toward satisfying the ever increasing demand for the more tender, fat marbled, table beef that is the product of our grain-fed cattle. The great bulk of our domestically produced beef, with a fat content of about 25 percent, is the product of our grain-fed cattle. This is a natural approach to the problem by our cattle raisers. The production of grain-fed cattle is more consistent with the decline in available grazing areas and, furthermore, grain-fed cattle bring higher prices to our meat producers.

The lean, grass-fed imported beef is used, by and large, for manufacturing purposes. It does not compete in the market place with the high quality table cuts produced from our grain-fed animals.

To place the issue in perspective it is worth noting that the meat import law of August, 1964 (Public Law 88–482) is designed to limit imports to approximately 6.7 per cent of domestic production. In actual operation, since the passage of that law in 1964, beef imports have represented 5.3 per cent of domestic beef production in 1964; 4.4 per cent in 1965; 5.5 per cent in 1966; 5.9 per cent in 1967; and 6.5 per cent in 1968. Over that five year period, imported beef averaged but 5.5 per cent of domestic production. On June 30 of this year, the President invoked quotas under this law when the Secretary of Agriculture determined that the statutory trigger point was likely to be exceeded. However, after invoking the quotas, the President immediately suspended them due to increased demand for manufacturing beef. He delegated authority to the Secretary of Agriculture to regulate imports. The Secretary promptly established a new quota, the net result of which was an increase in permissible imports of 41,300,000 pounds of meat.

According to the best information we can obtain on the subject, there has been an annual increase of about two and one-half per cent in consumer demand for hamburgers, frankfurters, and sausages. In contrast to this steadily rising demand, the Department of Agriculture predicts a four per cent increase this year in cow slaughter, our principal domestic source of manufacturing beef. This fact simply reflects a pattern that has been in progress for many years. The predictable result of this steady decline in domestic supply during a period of consistently rising demand, and with import limits based upon domestic production, is a shortage of manufacturing grade beef. Some estimates of this shortage place it at 350 to 400 million pounds per year. With supplies falling short of consumer demand to this extent, higher prices are not just predictable—they are an absolute certainty.

A Subcommittee of the House Government Operations Committee held hearings on meat prices during October, 1969. The Subcommittee's report of its findings was not accepted by the full Committee and it was not published for reasons which were not announced. However, in a speech on the floor of the House of Representatives on September 17, 1970, one member of that Subcommittee discussed its findings and recommendations. We are told that the Subcommittee found that the supply of beef, including available imports, under current restrictions will be inadequate to meet demand for at least the next six years and that sharply rising beef prices are in prospect to 1975. We are also told that the Subcommittee recommended immediate consideration of an amendment to the Meat Import Quota Act to increase the supply of imported beef.

All of the predictions we have heard or read agree that demand for beef will rise at the rate of about two and one-half to three per cent per year. Projections on the supply available to meet this demand vary, but all knowledgeable sources known to us agree that our current sources of supply, at optimum, will be hard put to match demand. With a market of this character, it seems clear that any further restrictions on imports would force the use of domestic high quality and high priced cuts for manufacturing purposes. Of necessity, this will mean a markedly higher price for hamburger and other processed meat products .

Since this Committee and the Congress will be considering this issue from the standpoint of national policy, it seems appropriate to observe that the principal sources of our imported beef are Australia, New Zealand, Ireland, and Mexico. These countries are allied to us politically and economically. Our balance of trade with each of them is now heavily in our favor. Australia, for example, buys twice as much in American goods as she sells to us. By further restricting the opportunity of these trading partners to sell to us, we invite restrictions by them on our products. The risk of such retaliation will not be borne by our own meat producers. Any retaliation would fall upon producers of other agricultural products or upon manufacturers of hard goods.

Aside from the risk of retaliation by countries whose friendship and political alliance we need and treasure, we need also to look to the future of our protein supply. We should assess carefully whether our current restrictions are impairing supplies for future years when the need will be even greater than it is now.

In brief, Mr. Chairman, all the beef we produce today and all that we are allowed to import is consumed. No part of our production is lacking a market, even at today's prices. If importation of beef is further restricted, the higher grade and higher priced domestic product must be substituted in manufacturing. The family of modest income which has come to rely upon hamburgers, hot dogs, and other processed meats as diet stapels will be faced with higher prices. So will the establishments in our industry which try to keep meals away from home within the means of all segments of our society. We believe that in today's economy any action designed to raise food prices makes no sense at all.

INTERNATIONAL LONGSHOREMEN'S & WAREHOUSEMEN'S UNION,
Washington, D.C., October 9, 1970.

COMMITTEE ON FINANCE,
U.S. Senate,
Washington, D.C.

DEAR SIRS: The obscene haste with which the Senate Finance Committee scheduled hearings on foreign trade legislation could create the illusion that all of organized labor supports the protectionist bill passed by the House Ways and Means Committee. The AFL-CIO does support import quotas, as they were able to testify before the Committee. My union was not allowed to testify in opposition to the trade bill, despite a written request to the Chairman last August 21.

We oppose protectionism which we fear will feed inflation and provoke retaliation to the point where millions of American workers will be affected, as when passage of the Smoot-Hawley Act in 1930—despite the warnings of economists who are echoed again today—helped plunge the nation into the depths of the depression. Protection is a dangerous game, and we agreed with Victor Reuther of the Auto Workers when he wrote recently: "Protection is like heroin. The first few shots really lift your spirits. But when you begin to build up tolerance, you need more. Pretty soon you live for that fix. You're hooked—and probably out of work."

My colleagues in the AFL-CIO, whom I suspect are uncomfortable at finding themselves in bed with the Nixon "southern strategy" and corporate monopoly, seek to solve the problems of a war-ravaged economy while continuing to support the war; they are trying for dangerously cheap and easy answers to the problems of automation and runaway shops. Employment in the textile industry is up, as are profits. Shoe plants have closed in New Hampshire, but re-opened—non-union—in Kentucky. Penetrating and reasoned criticism of multi-national corporations and the export of U.S. capital by the AFL-CIO takes a sudden turn somewhere along the line to "get the furriners" approach.

The interests of American workers are ill served by those whose adoption of the Thurmond-Talmadge line on trade could trigger a trade war with resultant economic chaos. And at a time when our leaders exhort our young people to work through the system, this cynical bypassing of the legislative process—this lack of full hearings and the cruel proposal to attach the 96 page trade bill as a rider to vital social security legislation—only serves to demonstrate the speed with which special interests can get Congress to move on their behalf.

Yours truly,

ALBERT LANNON,
Washington Representative,
International Longshoremen's & Warehousemen's Union.

HUGHESCO, INC.,
Dallas, Tex., October 9, 1970.

Chief Counsel, Senate Committee on Finance.
New Senate Office Building, Washington, D.C.

DEAR MR. VAIL: I have your telegram that we can send a written statement expressing our views on the trade legislation now before the Finance Committee.

By way of introduction, we are one of four importers and distributors of the famous Adidas athletic shoes made in Western Germany, France, and Yugoslavia. We do not think athletic shoes should be included in the legislation to impose quotas on the import of footwear.

First of all, our shoes are higher in price than those of most of the American manufacturers and, therefore, do not compete with the athletic shoe manufacturers. These shoes are the highest quality and are marketed here in the United States because of their unique construction and quality. Adidas is unique in that it has developed many of the patents and ideas in the construction of athletic footwear that makes them unique in the athletic footwear manufacturing field. Because of this quality and fit of their athletic shoes, Adidas is demanded in many sports by top athletes including track and field, football, soccer, tennis and basketball. In many instances Adidas will manufacture a specialty shoe used for a special event that cannot be found in the American market. I do not know what type of bill the Finance Committee is taking up, but I presume it is similar to the one proposed by Chairman Wilbur Mills of the House Ways and Means Committee. I strongly disagree that a quality product in the expensive price field such as Adidas should be classified along with low-priced merchandise that competes on the American market because of price only, and in turn creates a problem for a labor market.

Secondly, in a world that is growing smaller in terms of communication and transportation, I do not believe there is any logic in the theory that we can crawl back into our own shell. If I understand my commercial history correctly, we have competed in the world market in the past because of our technical and productive capabilities. If we are going to retain our world leadership, we must continue to compete on the same basis and not by imposing quotas.

Thirdly, in is my understanding that this bill singles out only two general product lines; namely, footwear and textiles. Is this fair when you consider the impact of imports in the electronics, steel and automobile markets, to name a few? Do you honestly believe that we can revert to isolationist policies in world trade such as some of those that existed in the past?

It is unfair to our athletes, who compete internationally, not to be wearing the best in their special events.

It would be grossly unfair both to a strong ally of the U.S. and to the competitive athletes of our nation to deprive them the availability of a shoe that was worn by over 80% of the 1968 Olympic athletes, over 50% of the National Basketball Association players, and over 50% of the Super Bowl champion Kansas City Chiefs.

In conclusion, we think that athletic shoes are a small part of the market and should be excluded from any import quotas.

Very truly yours,

H. B. "DOC" HUGHES.

ROBECO CHEMICALS, INC.,
August 25, 1970.

DEAR SIR: There is pending before the House of Representatives the "Trade Act of 1970" HR 18970.

Incorporated in this comprehensive legislation is an obscure measure to restrict the imports and raise the duty of Glycine (Page 54, Sec. 344), a product of interest to us.

Unfortunately this product has been made part of such an important controversial bill. It is an anomaly, and I respectfully request consideration be given to eliminate the item Glycine from the bill, should the House of Representatives pass it, and it go to the Senate.

My reasons for opposition to this particular part of the bill are as follows:

(1) There is only one U.S. producer of Glycine, and he consumes two thirds of this production.

(2) Due to an anti-dumping action (U.S. Tariff Commission Investigation AA1921-61; TC Publ. 313, February 1970) only one foreign producer (Holland, through our company) is presently entering supplies in the U.S.

(3) The anti-dumping commission report states that no evidence was found to cause the American producer to lower his selling price or lose sales.

(4) Due to substantial increased usage for Glycine, both the American producer and we are unable to satisfy the demand, and material is actually allocated.

(5) Selling prices are firm and expected to go up unless the shortage of material is relieved.

This measure to restrict imports and raise the duty of Glycine is completely contrary to the actual conditions applicable to the sale of this product. It will definitely lead to a restraint of free trade, and give the U.S. manufacturer complete control.

I earnestly recommend your wholehearted opposition to this unfair measure should it be presented before you.

Thanking you, we are,

Very truly yours,

M. L. ROSENTHAL.

MLR/ec

STATEMENT OF AMERICAN TIE FABRICS ASSOCIATION WITH RESPECT TO PROPOSED FOREIGN TRADE LEGISLATION, BY CURTIS STEVENS, CHAIRMAN, RAXON FABRICS CORPORATION

This Statement is submitted by Mr. Curtis Stevens as Chairman of American Tie Fabrics Association with respect to S. 3723 and similar bills or amendments providing for, among other matters, quantitative limitation on imports into the United States of textile products.

Attached as Appendix A is a list of the domestic tie fabric manufacturers and allied industries endorsing this Statement.

The attention of the Committee is invited to the letter of October 2, 1970, with enclosures, addressed to Hon. Russell B. Long, Chairman of the Committee on Finance, a copy of which was also directed to each member of the Committee. It is respectfully requested that that letter and its enclosures be incorporated with this Statement in the record of the Committee on Finance with respect to this matter and that the contents of all of these documents be considered the submission of the American Tie Fabrics Association.

Briefly stated, the position of the American Tie Fabrics Association is based upon the premise that any proposed trade legislation effecting quota controls on imports of textile products must be all embracive and that to the extent that a certain textile product is excluded from the protection provided by such a law the sector of the American textile industry producing such excluded product will become the focal point of pressure resulting in irreparable damage of that sector of the American textile industry.

As reported by the Committee on Ways and Means of the House of Representatives, H.R. 18970 provided in Section 206(1) for the exclusion from the protection provided other textile articles, tie fabric. It is extremely significant that tie fabric imports were the only textile product imports so excluded. No justification for this extraordinary exclusion was set forth in the Committee Report issued to accompany the bill (No. 91-1435).

It is believed to be useful in this submission to underline certain basic facts about the American tie fabric industry and the potential effects which such industry will surely experience if a textile trade bill is enacted which excludes tie fabric imports from quota control.

1. The American tie fabric industry is composed of small, modern and imaginative firms producing a wide range of tie fabric utilized in the manufacture of neckwear in the United States. In construction, quality, design and appearance it is absolutely competitive with imported tie fabric. Because of the relatively higher costs of labor in the United States, which in the area of tie fabric manufacturing represents approximately 70% of cost, American tie fabric manufacturers are at a competitive disadvantage with their counterparts in Europe and Asia. However, it is essential that the Committee understand that imported tie fabric is in every other respect the same textile article as tie fabric produced in American mills.

2. In recent years the American tie fabric market has been penetrated by tie fabric imports at a rapid and alarming rate. Based upon available Government data, it is estimated that during the period 1967–1969 imports of tie fabric increased in volume by 300% and represented in 1969 40% of total U.S. tie fabric consumption. Based upon current market estimates this penetration level has increased in 1970 to 50% of total U.S. tie fabric consumption. Based upon these facts, the American tie fabric sector of the total U.S. textile industry has suffered more impact from imports than has any other sector with the result that over the past 5 years 14 domestic tie fabric manufacturers have gone out of business.

3. The American tie fabric industry is committed to expansion totaling a capital outlay of $20,000,000 to be spent over the next 2 years in the building of modern mills and collateral establishments. As it exists today, the tie fabric industry consists of establishments with the most modern of textile machinery, capable of great productivity to supply domestic demands for tie fabric. As a result of import penetration, the tie fabric industry has seen its productive capacity *idled* to a current level of 30%. One of the largest American tie fabric mills is at present carrying 40% of its capacity idle. There is no question that the American tie fabric industry can meet, at fair prices, the demands now and in the future of the tie manufacturing industry.

4. Claims have been made by import agents that the exemption from quota of tie fabric imports contained in Section 206(1) is necessary in order to assure an adequate supply of tie fabric material to meet domestic demands. We dispute this allegation and state unequivocally that factually it is untrue. In addition, we invite your attention to page 5 of House Report No. 91–1435 wherein is described the Presidential authority contained in H.R. 18970 to "exempt from quotas imports of articles: * * * (3) when he finds that the supply of such articles in the domestic market is insufficient to meet demand at reasonable prices." Obviously the trade bill as reported by the Committee on Ways and Means adequately covers the claim made by import agents and provides such importers with an ample opportunity to demonstrate, if they can, the accuracy of their claim that imports of tie fabric are "needed" to satisfy the United States necktie industry's demands.

In conclusion, may we suggest to the Committee our view that the exclusionary language of 206(1) constitutes a most blatant discrimination against a small segment of U.S. industry. It is incredible for us to believe that the Congress of the United States, having now all the facts before it, would perpetuate such an unfair and unjustified discrimination. It is our judgment, we who know our industry and its problems so intimately, that the American tie fabric industry will not survive the effect of a trade bill enacted with a provision throwing open the U.S. tie fabric market to all the exporting nations of the world as the only open market in the United States available to foreign textile shippers. The consequences of such an unfair and unreasonable law to the thousands of workers, their families, the already burdened communities of Pennsylvania, New Jersey and Rhode Island where the mills of this industry are located is monstrous. We call upon you and the conscience of the Senate to examine this problem aside from the questions of special interests which undoubtedly reflect themselves in Section 206(1) and judge the equity of the American tie fabric industry on the basis of its right to survive in the U.S. textile economy and the right of the people who depend for their survival upon this industry to maintain the dignity of employment.

It is important that you realize that the interests who will prosper, should the exemption remain in the trade bill, are interests employing little or no labor but rather by and large represent as agents the same European and Japanese textile complexes whose trade practices in the past have resulted in the current severe problems facing the United States textile industry. We respectfully urge that you not expose this small segment of the U.S. textile industry to these import pressures, alone, singled out to be denied protection from among all of the giant U.S. textile establishments. It can not and will not survive that exposure.

Accordingly, we respectfully request that any trade bill reported by your Committee not contain exclusionary language with respect to tie fabric imports. In all other respects this Association supports the enactment of a trade law in the form of H.R. 18970.

APPENDIX A

Pennsylvania:
- Raxon Fabrics Corp., Allentown
- Frank & Stessel, Inc., Allentown
- Glove Dye Work, Inc., Philadelphia
- Higrade Textile Co., Inc., Allentown
- Cands Fabrics Co., Catasauqua
- Lova Textile Co., Coplay
- Newark Silk Co., Inc., Wilkes-Barre
- Schoolhouse Textiles, Inc., Ashley
- Kra-Tex Fabrics, Inc., Ashley
- C & V Fabrics, Inc., Plains
- Greenhut Fabrics, Inc., Scranton
- Samuel J. Aronsohn, Inc., Scranton
- Tioga Textile Associates, Inc., York and Hazleton
- BlueBird Silk Mfg. Co. Inc., York
- Fortune Fabrics, Inc., Swoyerville
- C. M. Smith Fabrics, Inc., Allentown
- Summit Weaving Co., Exeter
- Parker Textile Co., Scranton

New Jersey:
- Kalkstein Silk Mills, Inc., Paterson
- Fred E. Hoof Dye Works, Inc., Paterson
- Loraine Dyeing & Finishing Co., Paterson
- Advance Piece Dye Works, Inc., Paterson
- Renco Finishing Corp., Fair Lawn

Rhode Island: Lyon Fabric Co., Central Falls

New York:
- Wolfberg Textile, Inc.
- Weave Corp.
- A. Golf Fabrics, Inc.
- Newburgh Moire Co., Inc.

NATIONAL BOARD OF FUR FARM ORGANIZATIONS, INC.,
Milwaukee, Wis., September 24, 1970.

To All Members of the U.S. Senate Finance Committee:

Request for improvement by Senate Finance Committee of the Trade Bill of 1970 pertaining to imports of Mink Furs as passed by Ways and Means Committee.

Submitted by National Policy Committee of National Board of Fur Farm Organizations, Inc., Roy D. Harman, Chairman.

1. The annual Quota of 4.6 million mink annually is too high and is near the quantity that broke the U.S. Mink farmers since 1966. We recommend the annual quota be based on the annual imports of mink furs in 1968, 1969 and 1970 which would probably mean a quota of some 3.6 million skins per year. We believe this is realistic and that the U.S. Market can absorb that many in addition to our own when reinforced by advertising and promotion by our mink breeders.

2. American Mink Ranchers market their furs in an orderly manner with well advertised Auctions between December and September, thus avoiding a glut of the market by extreme numbers of pelts being offered at one time.

Unless the mink coming in under the quota are so distributed, the market will be so flooded with them about the first of each year that the market will be broken with them at that time and those depressed prices will last the remainder of the year.

Therefore, for the imported pelts to disrupt our own Market as little as possible, we request that not more than one third of the annual quota of mink be admitted in any one quarter of the calendar year.

This provision is very important if we are to live with large imports of mink which appears to be inevitable.

Our U.S. Mink Farmers have spent over $20,000,000 in advertising mink furs to the consumer, a program on which our Scandinavian competitors have been getting a free coat tail ride.

COMMUNIST EMBARGO

The Embargo against imports of seven specific species of furs from Russia and China that compete directly with our own was made Law in 1951 and was obtained then by efforts of the National Board of Fur Farm Organizations. At that time the imports of Communist furs were so enormous that the New York Fur Trade was flooded with them and trade in all furs was stagnating. This took so much money out of the fur trade that all Amreican furs both farm raised and wild became greatly depressed.

The money was probably used to arm other nations we were having trouble with. Conditions would be the same again if the Embargo is removed.

There are plently of furs, both farm raised and wild, in the United States and Canada and the other free nations to supply all the furs that can be consumed in the United States. It is not in the National interest to pay many millions of dollars each year to Communist Nations and they use the money to arm other peoples against us wherever we have trouble. Therefore, we request the Russian and Chinese Embargo be kept in its present active form.

Respectfully submitted.

ROY D. HARMAN,
Chairman, Christiansburg, Va.

MACHINERY & ALLIED PRODUCTS INSTITUTE,
Washington, D.C., October 12, 1970.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

THE PROPOSED DOMESTIC INTERNATIONAL SALES CORPORATION (DISC)

DEAR MR. CHAIRMAN: This statement is submitted to the Committee on Finance in connection with the hearings being held on Amendments Nos. 925 and 1009 to H.R. 17550, the social security bill, which would add to the bill the text of H.R. 18970, the proposed Trade Act of 1970, as approved by the House Ways and Means Committee. Our statement deals with the Domestic International Sales Corporation (DISC) proposal which is included as Title IV in H.R. 18970 and in Amendments Nos. 925 and 1009. In addition, we have recommended to the Ways and Means Committee certain other measures which we think will also help to encourage U.S. exports and a series of what we believe to be fundamental suggestions for reform in the area of U.S. taxation of foreign source income. These recommendations and suggestions which relate to such matters as Subpart F and Code Sections 482 and 367 are included in the Ways and Means Committee hearings on the proposed Trade Act and are not repeated in this statement.[1]

In order that the Committee may understand the viewpoint from which we approach this matter, we should note that the Machinery and Allied Products Institute and its affiliate organization, the Council for Technological Advancement, represent the capital goods and allied equipment industries of the United States. Companies in these industries typically produce highly engineered goods which have long had substantial foreign as well as domestic markets. According to a recent MAPI study based on U.S. Department of Commerce statistics, foreign sales—by both U.S. machinery companies and their foreign affiliates—represented 35 percent to 40 percent of their total sales in 1965, the last year for which complete figures are available. In the area of exports alone, machinery and transportation equipment represent the largest single category of manufactured products exported from the United States. Because of the significant volume of foreign business, these companies have been intensely concerned with governmental actions which might either help or hinder the growth of their foreign business; hence, their direct interest in foreign tax matters.

[1] See *Tariff and Trade Proposals*, Hearings Before the House Ways and Means Committee, 91st Congress, 2d Session, Part 9, p. 2454.

In general, we support the concept of DISC and we commend the Treasury Department for the spirit of the proposal. It is an official and a long overdue recognition of the difficult and deteriorating trade position of American business, a position resulting in very considerable part—as the Treasury testimony before this Committee and the Ways and Means Committee has made clear—from the special encouragement of exports by foreign governments. Commending the concept of DISC as we do, we believe that the proposal now advanced should be strengthened in certain respects—as indicated below—to help make U.S. manufacturers truly competitive with foreign manufacturers in their efforts to acquire and expand export markets. Further, in our judgment, more than DISC is needed. Indeed, nothing less will suffice than a total reexamination of our international trade position with a view to the development of a national foreign trade policy which balances and unites our economic and political objectives and which is comprehensive, coherent, and consistent in character.

One measure of the deterioration in our balance of trade and thus of our need for a new and dynamic national foreign trade policy is to be found in the changing relationship between our exports and imports. Based on U.S. Department of Commerce figures, U.S. machinery imports as a percentage of U.S. machinery exports for the period 1961 through 1969 have changed from 15.9 percent in 1961 to 45.1 percent in 1969, an almost three-fold increase in nine years. In our judgment, a major contributor to this change has been the rapidly rising U.S. labor costs per unit of output in manufacturing which skyrocketed from a low of 98.6 in July 1965 (1957–59=100) to 120.3 in August 1970. We cannot depend upon half-measures to reverse the export-import trend and to reestablish more securely our international competitive position; our total program to accomplish these purposes must be bold in concept, in scope, and in execution.

It is primarily because of the need for this broader program that our support for DISC is qualified. Much of our statement which follows consists of a recital of these qualifications. However, as noted above, the statement also includes, consistent with our statement as to the need for a rethinking and readjustment of national foreign trade policy, a number of suggestions for governmental action toward that end.

DOMESTIC INTERNATIONAL SALES CORPORATION (DISC)—MAPI RECOMMENDATIONS

Our comments relating specifically to the DISC proposal appear below.

DISC Should Be Made Permanent

We strongly urge that legislation implementing the DISC proposal be made a permanent part of the Internal Revenue Code and that its intended permanency be affirmatively indicated in the Finance Committee report and in other pertinent parts of its legislative history. The Ways and Means Committee report (House Report No. 91–1435) appears to imply permanency of DISC but we think it would be desirable to expressly so state in this Committee's report. In any event, it certainly would be undesirable in our view to establish a scheduled expiration date for DISC.

We are presuaded that, for many reasons, the adoption of *temporary* tax incentives to business for the accomplishment of specific purposes is undesirable. Business decisions, in our free enterprise system, should be prompted by long-range considerations, among which should be included an assumption of relative stability in the federal tax system. We think that the theory of offering and then withholding a tax incentive based upon a short-run picture of the economy—with the inevitable in-and-out distortions attending such action—is not only wrong in theory but is discredited by experience and particularly by the recent history of the 7 percent investment tax credit.

No Balancing Increase in Other Foreign Tax Areas

Another key point in considering the DISC proposal, in our judgment, is that its adoption not be made the excuse for seeking a compensatory increase in revenue from other elements of foreign source income—for example, further tightening of the tax treatment of foreign sales subsidiaries. We think that any such attempt would offset if not destroy the incentive impact of the DISC proposal. Indeed, we are convinced that—in addition to DISC—some very sweeping and far-reaching reforms which would tend to lighten the present burden of U.S. taxes on foreign operations of U.S. business are very badly needed.

We note with approbation that the Treasury and the Ways and Means Committee have recommended no such "offsets," and we hope that this Committee will concur in this approach.

Limitations on DISC Profits

In our view, the principal problem with the DISC proposal, as it now stands, is the attempt to impose much too strict a limitation on the amount of profit realized on the manufacture and sale of goods which would be deemed to be attributable to the DISC as distinguished from its U.S. parent company. In general, under the proposal, the amount of profit attributable to the DISC (which of course would be the amount on which tax is deferred) would be limited to the higher of either of two formulas—4 percent of sales or 50 percent of the combined taxable income from manufacture in the U.S. and export sales by the DISC. Under either approach, the DISC would be entitled, in addition, to 10 percent of "export promotion expenses" incurred by it. Finally, pricing between the U.S. parent and the DISC could also be established pursuant to the presently existing alternative, the allocation rules under Code Section 482.

We think that these proposed formulas would severely limit the incentive impact of the DISC proposal, and we urge that they be modified by this Committee. We note that Secretary Kennedy's testimony indicated that the total cost of enacting the DISC proposal would, according to Treasury estimates, approximate $450–$600 million for the first full year. We fear that the attempt to hold the revenue cost of the proposal down by the 4 percent and the 50 percent rules may be self-defeating. This hardly seems to be consonant with the Treasury's representations that the rules on pricing would be relaxed in the case of sales for a parent company to its DISC.

Any such pricing formulas should be both liberal and simple to apply. In our view, there is no real reason why a substantial part of the profit realized on the manufacture and sale of goods should not be tax deferred in the DISC. Accordingly, we urge that the "50 percent of taxable income" rule be liberalized and that the "sales" rule figure of 4 percent be sharply increased—preferably to 10 percent or, at least, 8 percent. The 10 percent of export promotion expenses rule should be retained.

We think that such an approach would have a major impact in causing companies to use a DISC in order to achieve tax deferral on export income and thus to contribute to the solution of our balance-of-payments problems by increasing exports.

In advancing the DISC proposal, the Treasury Department urges the removal of existing inequities in the taxation of export income and advocates a change in our tax system which tends to create "an unnecessary drag on exports." We agree with both reasons, although we should prefer to see the latter point advanced not simply as a negative benefit in removing an impediment but in the affirmative sense of encouraging an increase in exports. Toward this end, we advance for this Committee's consideration an alternative proposal designed to respond to both of these broad objectives.

The Institute is in no position to judge revenue considerations bearing on the legislative decision. However, recognizing that the necessity for increasing exports must be balanced against a potential loss of revenue, this Committee may wish to consider a modification of the "sales" rule with a basic deferral benefit of 5 percent or 6 percent of the sales price of goods exported by a DISC, to be considered as a "floor" available to all exporters making use of the DISC device. This basic tax deferral benefit on exports—the "floor"—is completely justifiable on the grounds that this—and probably more—is necessary simply to equalize the position of U.S. exporters with that of foreign exporters. Where a DISC actually increases its exports, where in Secretary Kennedy's phrase it engages in a "concerted and aggressive [export] effort over a period of years," then we believe greater tax deferral benefits should be allowed. The amount of the enlarged benefit should vary with the amount of the increase in exports up to a "ceiling" of say 15 percent or 20 percent of the DISC's sales.

Such a sliding scale of tax deferral benefits would have a number of benefits in our judgment. It would afford a positive incentive for all companies to increase exports. It would provide significant fiscal leverage with which to meet foreign price competition. It would provide the kind of incentive needed for a "concerted and aggressive effort" by companies—and especially smaller and medium-sized companies—who now export only occasionally or not at all. An actual *increase* in exports will generate new revenue-producing economic activity in the United States with the result that any revenue loss would be significantly less than that attributable to a constant level of exports. Finally, by providing a 5 percent or 6 percent "floor," it tends to equalize the position of U.S. exporters with foreign competitors without the necessity of increasing exports. Because in some cases it would be a literal impossibility to increase exports and because some means are needed to equalize our international competitive position and thus hold markets already won, the "floor" of a basic tax deferral benefit is essential to this proposal of a sliding scale of tax benefits under the DISC proposal.

We acknowledge that the Ways and Means Committee report states that it is expected that Treasury regulations will allow, under certain circumstances, the combined taxable income on export transactions to reflect a profit based on marginal costing of such transactions. This statement, in our view, is helpful but it is not an adequate substitute for our recommendations noted above.

The Four-Year Phase-In of DISC

Under the bill, DISC would go into effect on January 1, 1971, but only 50 percent of the DISC's profits would be tax deferrable during that year. In 1972 and 1973, the percentage on profit deferral would rise to 75 percent and, finally, in 1974, the full 100 percent amount would be eligible for tax deferral. The reason for this is, of course, the revenue loss of the proposal—the same reasoning, as we indicated above, that applies to the proposed profit limitation on DISC's. Again, we think this is unfortunate. If the DISC proposal and the desired incentive impact on U.S. exports—and, in turn, the balance-of-payments position of the United States—are as important as the Treasury appears to believe, then in our view it is important that this device be installed as soon as possible at full strength. The DISC proposal is important, its motivation is even more significant and, by all means, the concept should be enacted into law promptly. Any revenue offsets that are necessary should be made in reduced federal expenditures and not in watering down tax incentive proposals which are considered essential to our overall economic health.

The 95 Percent Rules

In order to attain DISC status, a corporation would be required under the proposed statutory rules to derive at least 95 percent of its gross receipts annually from export sales activities and export-related investments, and it would also be required to have 95 percent or more of the value of its total assets, as to the last day of the taxable year, in its export business, export-related assets, or Eximbank paper.

We think that the 95 percent standard in these rules is much too high and we suggest that consideration be given to lowering these percentage requirements.

With respect to the "gross receipts" requirement, we note that the Treasury has recognized the problem, at least to the extent of proposing to allow deficiency distributions—subject to the "70 percent gross receipts" test—to be made within a specified period of time after the close of the taxable year so that the corporation could get within the prescribed 95 percent level. In our view, the deficiency distribution technique is helpful, but it should be recognized that there may be occasions when it will be extremely difficult for the corporation to make a deficiency distribution within a short period of time. It might not be sufficiently "liquid" or such a distribution might seriously impinge on working capital in the business. We think it would be desirable to look at the substance of the 95 percent qualification levels and to determine whether it is necessary to keep them that high. We think that they could be substantially lowered, and experience with the Western Hemisphere Trade Corporation provisions of the Code seems to us to indicate that unnecessarily high percentage requirements tend to distort normal commercial arrangements.

Export of Services

Under the DISC proposal as it was originally framed by the Treasury, gross receipts from the performance of services would qualify under the 95 percent requirement only to the extent that the services are "ancillary and subsidiary" to the selling or leasing of export property by the DISC. In our view, this represented a narrow, and we think unrealistic, view of the importance of the export of services to our economy and to the balance of payments. What we have in mind here, primarily, is the performance of engineering services by U.S. companies in connection with large construction projects undertaken overseas. The performance of these services is normally a substantial part of the overall responsibility of the U.S. company with respect to the project, and we think the importance of providing such services should be fully recognized in the DISC proposal and in other measures affecting the taxation of U.S. exports.

We are pleased to note that this problem was recognized by the Ways and Means Committee which has made it clear that a wide variety of engineering or architectural services would also, by themselves, qualify; we hope that this Committee will concur in this approach.

The Earnings Impact of the DISC Proposal

A very important problem with respect to the implementation of the DISC proposal appears now to have been taken care of, but we suggest that the Committee may well desire additional reassurances on that score. We are referring, of course, to the fact that it originally appeared that any deferred taxes of the DISC would have to be recognized on the parent corporation's books as a deferred tax liability with no resulting improvement in earnings. We understand from Assistant Secretary Nolan's testimony that this problem has been recognized by the Accounting Principles Board of the American Institute of Certified Public Accountants (AICPA), and that the Board has concluded that there is no requirement that deferred tax liability be accrued currently on income. We are pleased to note this development, and we merely suggest that appropriate confirmation from the Accounting Principles Board might well be desirable.

Need for Special Rulings Procedures

We think it would also be desirable for this Committee to consider requiring some sort of expedited rulings procedure under which the Treasury could move promptly to resolve questions brought to it concerning the use of the DISC proposal. This might be of particular significance in connection with such matters as the application of profit limitations on sales from the parent to the DISC, and whether or not the DISC, under certain circumstances, meets the percentage requirements with respect to gross receipts and export assets.

Existing Corporate Organization

It is also important to give some consideration to the possibility of ensuring that the DISC proposal does not interfere unduly with existing corporate organization and operations to handle export sales. There were, it will be recalled, many reasons resulting from the enactment of Subpart F in the Revenue Act of 1962 for altering the former patterns of corporate organization to do business abroad. The necessary corporate changes in organization that resulted caused many serious problems which we fear were not completely anticipated at the time the Revenue Act of 1962 was under consideration in the Congress. We merely suggest that this matter be given appropriate study at this time. For example, it is vitally important that a multi-division company which handles its export sales on a decentralized basis by product groups have sufficient flexibility under a DISC arrangement to continue to handle its sales in much the same way.

DISC Investments in a Foreign Manufacturing Subsidiary

We note that under the proposal it apparently would be possible for a DISC to consider accounts receivable from a foreign manufacturing subsidiary as qualified export assets but any dividends received from such a subsidiary would not qualify as gross receipts derived from "exports" for the purposes of the 95 percent rule. Under the proposal as it is now worded, an equity holding in a foreign subsidiary would be permitted the DISC provided there is no " 'substantial transformation' of the exported goods and if the value added abroad does not exceed 20 percent of the cost of the goods sold." We suggest that this rule is unduly narrow and rigid with respect to the activities that might be carried on by a foreign subsidiary of a DISC. It would seem to us that it would be desirable to liberalize this rule somewhat—to say a maximum of 25 percent–30 percent—and to authorize a still higher percentage upon an appropriate showing of an unusually beneficial effect on U.S. exports. This is precisely the type of situation which calls for the special rulings procedure suggested above.

DISC Loans and Export Sales Ratio

Obligations representing loans by the DISC to the U.S. parent company or its domestic subsidiaries to finance the acquisition of new export manufacturing facilities should be considered to be qualified investments without the necessity to relate the amount of permissible investments in such obligations to the ratio of export sales to total sales. (In other words, the DISC should be permitted to invest in such obligations without restriction so long as the annual gross income of the DISC from such loans, less any dividends paid out of earnings for that year, does not exceed 50 percent of the DISC's annual gross income from all sources.) The restriction on investment in such obligations is one of the major factors limiting the usefulness of the DISC proposal. So long as the loan by the DISC to the U.S. parent company or its domestic subsidiaries is in connection with new U.S. manufacturing facilities, we can see no reason to have to relate such loans either directly or indirectly to exports because, by definition, all exports *have* to come from U.S. manufacturing facilities.

If the DISC proposal is retained in its present form, the permissible investment in such obligations should at least be related to the ratio of exports to total sales of an identifiable division or group of divisions of the U.S. parent company rather than to the ratio of exports to total sales of the entire company. Many companies have divisions with a substantial amount of exports whereas other divisions manufacture products which are not capable of export for one reason or another.

CONCLUSION

In conclusion we desire to reiterate our support for the concept of DISC and to commend the Treasury Department for its proposal. Our support of the DISC proposal is qualified by our beliefs that, first, DISC must be significantly liberalized in order to achieve a substantial and badly needed increase in exports and, second, useful as DISC can be, it should be regarded simply as a first-step-forward in the development of a comprehensive and unified national foreign trade policy designed to reestablish and thereafter maintain a position of equality for American business in world trade.

This completes our statement on the DISC proposal. If we can be of any further assistance with respect to this subject, please let us know.

Respectfully,

CHARLES W. STEWART, *President.*

[Telegram]

CLOTHING MANUFACTURING ASSOCIATION OF THE U.S.A.,
New York, N.Y.

Senator RUSSELL A. LONG,
Chairman, Finance Committee,
New Senate Office Building, Washington, D.C.:

Our associations membership comprises more than 90 percent of the U.S. manufacturers of young mens and boys tailored clothing. Imports of these garments have skyrocketed in recent years. During the period January through August 1970 imports of suits more than doubled over the same 8-month period of 1969. The increase was 110 percent. Passage of H.R. 18970 is vital to save the clothing industry from destruction. We urge your favorable consideration of that bill. Please read this telegram to your colleagues on the Finance Committee and make it a part of the record of your current hearings.

RICHARD H. ADLER, *President.*

STATEMENT OF FRANCIS W. SARGENT, GOVERNOR OF THE COMMONWEALTH OF MASSACHUSETTS

As Governor of the Commonwealth of Massachusetts, I wish to present the views of my State and our people on the so-called Mills Bill, or its Senate equivalent. Officials of my Administration and members of the Massachusetts Congressional Delegation have appeared from time to time before the Ways and Means Committee of the House of Representatives pleading for relief particularly for our shoe and textile industries so that we might, through legislation, derive temporary relief by means of a quota system.

Massachusetts is an industrial state with a long history in manufacturing. We have always stood for free trade among the nations of the world. Unfortunately, we are not convinced that an equitable free trade situation exists in the world today and feel that older industrial states, such as Massachusetts, with high wage intensity industries are being very much victimized. We look to the Congress of the United States for help and encouragement so that our shoe and textile manufacturers will have the time to modernize and to find new means of production within new product lines.

The average age of a shoe worker in Massachusetts is 52 years; retraining programs for people of this age are not an acceptable solution. Most shoe workers in this age category end up with the degradation of public welfare. As Governor of Massachusetts, I believe this is an intolerable situation.

As the Mills Bill was first presented in the House, it had our whole-hearted support as a temporary measure to aid our ailing shoe and textile industries. Unfortunately, this bill has been amended to include permanent irrevocable quotas for oil. The shoe and leather industries are high wage intensity operations. The production of oil is a low wage and worker intensity industry. We have been led to believe that the reason for temporary oil quotas concerns itself with national security. Any consideration of oil quotas in this legislation would be detrimental to Massachusetts, and indeed, the entire northeast section of the United States. Because of the great variance in the issues involved, I would strongly request that the matter of oil quotas be dropped from this legislation and that shoe and textile quotas, on a temporary basis, be considered on their merits alone.

The oil industry of the United States, which controls much of the world's supply, understands full well that Massachusetts, New England and the entire northeast portion of the United States is one of their best customers. In Massachusetts we use 4 times as much heating oil as the average person in the United States; 6.7 times per capita as much residual-type heating oil as the rest of the nation; 90% of our schools are heated by oil; 70% of all of our homes in Massachusetts are heated by oil; 97% of the fuel used in Massachusetts power plants is oil.

We have not only been concerned about whether or not Massachusetts' homes, hospitals and industries will have sufficient oil, but we will be paying, in Massachusetts alone, $130,000,000 more for #6 oil this year than we paid last year. For every 1¢ of increase in #2 home heating oil, the consumer of Massachusetts pays $20,000,000. We would hope that the Congress of the United States would concern itself with legislation more beneficial to the consumer of Massachusetts and New England by placing the production and pricing of oil under strict Federal control.

In summary, we do not agree that the legislation before you should be in any way considering permanent oil quotas, but should be concerning itself with the problem of shoe and textile quotas. Should the Congress of the United States amend the legislation before you to exclude oil quotas, this legislation will receive our strongest support.

To some, the present bill may appear to be, on the one hand, a clever move to obtain permanent oil quotas, and to others, a means for killing a just bill for textile and shoe import quotas.

As Governor of Massachusetts, I urge the Committee on Finance of the United States Senate to give fair and just treatment in this matter to the people of Massachusetts.

Statement of the Cast Iron Soil Pipe Institute

The Cast Iron Soil Pipe Institute is a trade association representing twenty-three manufacturers of cast iron soil pipe and fittings who manufacture about ninety-five percent of the total production in the United States with an approximate annual value of $150 million. You can readily understand that on the average we are speaking for an industry composed of relatively small companies with plants located in nearly all sections of the country—New Jersey, Pennsylvania, Virginia, North Carolina, Florida, Alabama, Tennessee, Texas, Iowa, Missouri, Colorado, Oregon and California.

Our industry has been sorely tried over the past 14 years. We have undergone four different dumping cases against Great Britain, Mexico, Australia, and Poland. In June of 1969, we requested that countervailing duties be levied against India which country subsidizes exports of cast iron pipe and fittings. To the best of our knowledge the Bureau of the Customs has not even started investigation of this case.

We feel sure that the Committee is familiar with most of the data presented to the Committee on Ways and Means of the House of Representatives concerning proposed legislation on tariffs and trade and so we will not attempt to repeat our own testimony which appears on pages 1813 to 1822 in the record of those hearings. We would like however, to comment on something which, while contained in a widely-sponsored Bill submitted to the House, has been overlooked in the proposed legislation now before you.

The Fair International Trade Bill which was introduced into the House of Representatives by more than seventy of its members contained a special section concerning those products which are not easily transported over a large country and which, therefore, are more subject to injury within one or more regional marketing areas. Iron pipe, structural steel, and cement are typical products in this category. Our dumping case against Poland, for example, indicated what has happened in the northeastern part of the United States where twenty percent of the building construction is located. An equal argument may be made for other coastal areas such as California, Oregon, Washington, and Florida.

While this principal was recognized by the Tariff Commission in the dumping case against Poland, a previous Commission had taken the old attitude that injury must be nation-wide. We think that this should be spelled out in any legislation as it was in the aforementioned House Bill. There is still flexibility. The foreign exporters will still reap the benefits of any increase in the total United States market and in all marketing regions within the total market.

Our industry has been further hampered by the fact that imported cast iron pipe and fittings are exempt from the requirement of marking as to country of origin. This has led to the comingling of cheaper foreign pipe with American pipe without the knowledge of the ultimate consumer. Three years ago, this Institute asked the Treasury Department to remove cast iron soil pipe and fittings from the list of exemptions, a list on which it was placed erroneously in 1939. Only recently has the Treasury Department taken any action (and that only because of pressure from members of the Congress) and we hope that within the next month there will be a Treasury Decision requiring the name of the country of origin on each piece of cast iron soil pipe and their fittings.

The Department of State has failed to recognize the changes in the economic situation in the United States and in the rest of the world. Secretary Rogers told the Ways and Means Committee on May 13th that "I am acting in the tradition of all Secretaries of State since 1934, when Cordell Hull proposed that we lead the world in reducing barriers to international trade." We removed all barriers and became the world's principal market for goods produced by much cheaper labor. Already nearly one-half of the gross national product in this country is in service industries. The manufacturers of cast iron soil pipe and fittings would like to continue to *make* the drainage systems as well as sell them.

The Cast Iron Soil Pipe Institute approves in general the quota legislation now under consideration by your Committee, but feels that it should be amended to protect heavy products through recognition of the fact that injurious imports may be concentrated in one or more regional marketing areas.

Statement of the American Fur Merchants' Association, Inc.

SUMMARY

1. The American Fur Manufacturers' Association, Inc. opposes H.R. 18970 because it is protectionist in nature, constitutes a retreat from long-standing trade policies which encourage exports and because it will result in retaliation which will affect U.S. exports.

2. The Association particularly opposes Section 343(a)(1) which provides a tariff quota on the importation of mink furskins and pieces thereof. There is no justification for the imposition of such a quota and the Tariff Commission recently found against the need for it. It would be inflationary in effect and disruptive of normal marketing operations.

3. In the event that Section 343(a)(1) is not deleted from the Bill, it must be amended to permit entry of the many millions of scrap pieces of mink furskin, each piece of which, under the Bill as now drafted, must be counted as a whole mink furskin whether or not it is separate or sewn together with other scraps.

The American Fur Merchants' Association, Inc. of New York, New York is the largest association of fur dealers in the United States. Its position on the Trade Act of 1970 is as follows:

1. *Opposition to H.R. 18970.*—Together with other segments of the fur industry it opposes the adoption of the Trade Act of 1970. It believes that if the Bill becomes law it will lead to a frenzied retaliation by many nations, particularly those which import more from the United States than they export to the

United States. The Bill is protectionist in nature and will lead from multilateralism to bilateralism and toward radical protectionism. The Bill constitutes a retreat from the trade policy followed by all administrations and congresses over the last 40 years. We are therefore convinced that it is a bad Bill and should be rejected by the Congress.

2. *Opposition to Sec. 343(a)(1) of the Bill.*—We specifically urge the amendment of the Bill by the elimination of Section 343(a)(1). That Section provides a tariff quota on the importation of mink furskins. Such skins are the raw material of the fur industry. That raw material has historically entered duty free if raw and at a modest rate of duty if dressed.

Section 343(a)(1) would limit duty free imports of this raw material to 4.6 million skins "and pieces of skins" in any calendar year. We are told the U.S. mink ranchers may urge the Senate to cut this quota to well under 4.6 million skins per year. This despite the fact that there is no justification whatsoever for any quota on this commodity. That no quota is needed or justified is clear from the statement presented to this Committee on Friday, October 9, 1970 by the Administration's spokesman, Mr. Carl J. Gilbert, Special Representative for Trade Negotiations. He stated that *the Administration opposes Section 343(a) of the Bill.* He pointed out that

"Imports of mink furskins have been declining since 1966 and in 1969 were lower than in any year since 1960. Domestic production was at a record high in 1968, but declined to the 1965–66 level in 1969. U.S. exports, however, reached a record high in 1969 and are about 44% as large as imports. If import relief is warranted for this industry it should be provided after a full investigation and evaluation under the escape clause."

A few facts added to that statement clearly demonstrate that a quota on the import of this commodity is not justified:

1. Imports of mink furskins constantly decreased each of the last four years. The figures are as follows:

	Quantity (in thousands)	Calendar year	Quantity
December 1966 to August 1967	4,819.8	1966	5,695.0
December 1967 to August 1968	4,495.9	1967	5,424.8
December 1968 to August 1969	3,532.3	1968	4,781.7
December 1969 to August 1970	2,599.4	1969	3,685.3
		1970	[1] 3,100.0

[1] Estimated.

2. Prices of domestic skins are down in 1970 28.7% from 1969, less than 4% more than the price decline in all European auctions. But *the prices of all furskins are down drastically this year.* Alaskan seal produced only in the U.S. was 23.5% lower in 1970 than in 1969.

3. The low price structure of furs in the world market is not due to increased production but instead to economic conditions. *The fur industry is a luxury industry.* Like all industries producing luxury goods it is suffering from the current economic doldrums and tight money condition.

4. Exports have substantially increased in ratio both to total production and to imports. Note the following:

	Number of skins exported	U.S. exports ratio to U.S. production (percent)	U.S. exports ratio to imports (percent)
1966	1,124.0	13.7	19.7
1967	1,332.0	22.2	25.4
1968	1,553.8	25.6	32.5
1969	1,502.8	28.9	40.8
1970	[1] 1,650.0	[1] 35.6	[1] 70.0
1st 8 months, 1970	1,377.1	[1] 40.0	66.5

[1] Estimate.

5. The mink ranchers seek quotas hopefully to raise prices. Thus a restrictive legislative quota would have an inflationary effect.

6. The Tariff Commission has twice found (the last time in February 1968) no basis for blaming imports for the economic problems occasionally experienced by the domestic ranchers.

For these reasons we urge that a Senate amendment be adopted deleting Section 343(a)(1) from the Bill and renumbering the remaining provisions of Section 343 insofar as may be required by the elimination of paragraph (a)(1).

3. *Needed Amedment to Section 343(a)(1) if Not Eliminated.*—In the event that the Senate Finance Committee should approve the Bill and does not agree to delete Section 343(a)(1), it is imperative that it amend that Section. The Administration on Friday, October 9, pointed out the fact that Section 343(a)(1) was very inadvertently drafted and could have a serious result on the trade in mink furskins. Mr. Gilbert, in his statement to this Committee, said:

"Through an inadvertence, moreover, the provisions of the Bill require each piece of imported mink to be counted as a mink skin. Since some of the imported mink plates have as many as 20,000 pieces (some smaller than a cigarette), imports of only 230 plates of that type could fill the entire tariff quota."

The tariff quota admitting 4.6 million skins duty free requires by the language of the Section and by the statements at page 55 of the House Committee Report of the Bill that each piece entering the United States, whether a whole skin or a scrap or whatever, and whether or not sewn together with other pieces of scraps, must be counted against the quota. It has now been ascertained that millions of pieces of scrap trimmings, that is, heads, paws, tails, bellies and trimmings, are imported each year in bales from Canada and possibly other countries. It appears that the bulk, if not all, of these imports are then exported to Greece along with vast quantities of such scrap generated by the U.S. fur manufacturing industry which is largely centered in New York.

Official statistics now made available from Greece indicate that almost 400,000 pounds of such scraps are imported by Greece annually from the U.S. and approximately 140,000 pounds annually from Canada. While not all of these imports are of mink, substantial quantities of dressed or dressed and dyed are included. After arrival in Greece these scraps are sorted, sized and sewn together in the city of Kastoria, Greece in the form of plates or mats, which in the trade are now generally called "bodies." They are generally about 45'' x 84'' in size, large enough to make one fur garment. About 80,000 to 90,000 pounds, or 18,000 to 20,000 bodies are exported by Greece to the United States annually, weighing approximately 4 pounds each. No one knows for certain the average number of pieces in the bodies, but the range is from 1,500 to a body to over 20,000 in a single body. Suffice it to say that it is estimated by those informed in the business that there are between 30 and 50 million pieces of mink furskins annually imported from Greece alone in the form of these bodies. Under Section 343(a)(1) as it is now written, an impossible administrative burden would be placed on the Bureau of Customs of counting each one of those pieces as full mink furskins. This would make an illusion of the 4.6 million quota.

As pointed out by the Administration's spokesman, Mr. Gilbert, in his appearance before this Committee, the importation at the start of a calendar year of 230 of these bodies containing 20,000 pieces or more each would fill the quota and make impossible the importation of a single whole mink furskin.

This would absolutely cripple the entire fur garment industry in the U.S. and have serious economic consequences on the manufacturers who generally operate on modest capital. It would have devastating consequences on the labor force in the fur industry.

In view of the above it is absolutely necessary that if Section 343(a)(1) is to be kept in the Bill, it must be amended to eliminate from the count to be made against the quota, all scrap pieces of mink furskins whether or not sewn together in plates and mats.

CONCLUSION

In conclusion, the American Fur Merchants' Association seriously urges on this Committee that it delete Section 343(a)(1). In the event that the Committee does not eliminate that section, we urge that an amendment be adopted to the language. We understand that the language of such an amendment has now been worked up by the Tariff Commission. The amendment, if adopted, would eliminate from the count against the quota, all scrap pieces of mink furskins whether in loose form unsewn together or sewn together in plates, mats, etc.

Respectfully submitted,

ALFRED FUCHS, *President.*

Statement on Behalf of Certain Domestic Manufacturers of Fish Netting and Fishing Nets

SUMMARY OF COMMENTS AND RECOMMENDATIONS

This statement is made on behalf of the eight domestic manufacturers of fish netting and nets who account for over 85 percent of the total U.S. output of these items.

Netting, and the nets made from netting, are the primary requisites of commercial fisheries. The U.S. fisheries, in addition to harvesting an extremely important source of protein food, perform a vital function in providing part of the nation's industrial oil supply.

Fish netting and nets made of cotton have gradually been replaced by netting and nets made of more durable synthetic materials. The long-term cotton textile arrangement of 1961 thus cannot exercise control over the deluge of imported Japanese fish netting and nets to the United States which has occurred over the past five years.

Japan, which produces about half of all fish netting in the world, has already managed to capture over 50 percent of the U.S. market for cotton netting, despite the long-term cotton arangement. Already, she has increased her share of the domestic synthetic netting market from 9 to 22 percent over the past five years. Unless immediate action is taken, Japan will accomplish in the synthetic netting market what she has already shown she can do in the cotton netting market. The quota provisions of H.R. 18970, as reported by the Committee on Ways and Means, are needed to prevent the domestic fish netting industry from being driven completely out of business by Japanese imports of synthetic-fiber fish netting and nets. In addition, the escape clause revisions contained in H.R. 18970 should be enacted to afford ready relief from future injurious imports.

THE INDUSTRY

The eight domestic manufacturers of fish netting and nets for whom this statement is submitted (see attached list) account for almost all of the U.S. output of knotted fish netting, and for more than 85 percent of the output of all fish netting and nets.[1]

These producers are situated for the most part in small cities or towns located in Alabama, New England, Michigan, Tennessee, Texas, and Washington. All but one producer are small independent operators, making fish netting chiefly or exclusively and employing under 50 workers per plant. Total direct employment by the industry aggregates about 300.

Fish netting is made on large automatic looms that are efficient only when operating full time. Most of the industry works on a two or three shift basis, but rarely does any plant have all equipment in use at the same time. Currently the industry as a whole is operating at well under 50 percent of capacity, which keeps costs high.

Netting, made from vegetable or man-made fibers, and nets fabricated from such netting, are the primary requisites of commercial fisheries today. Without nets commercial fishermen do not fish. The vessels, boats, and other gear used by them are all auxiliary to the operation of the nets.

The U.S. fisheries have a vital part in supplying the nation's needs for protein food and for part of its industrial oil supply. The fish meal produced from non-food fish and from fish offal is also a very important part of the food supplement in feeding poultry and livestock.[2]

INJURIOUS IMPORTS

Japan produces about half of all netting used in world fisheries.[3] U.S. manufacturers of fish netting are concerned with the serious impact of Japanese imports of netting (and nets fabricated therefrom) produced from man-made fibers.

Nylon and other synthetic materials are now the principal fibers used for making fish netting. Nylon, being resistant to moisture, mildew and rot, lasts as a net material about 4 times as long as cotton. The displacement of cotton by nylon has thus reduced the size of the market for nets and netting.

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[1] Based on production data reported by the National Cotton Council of America.

[2] In 1969, U.S. fisheries provided 2.3 billion pounds of human food and 1.8 billion pounds of industrial products, primarily meal and oil. Source: Statistical Abstract of the United States, 1969.

[3] *National Fisherman*, June 1970.

Labor represents about 30 percent of total costs of production of netting, and materials represent about 55 percent. Not only do the Japanese producers have a substantial advantage over U.S. producers in lower labor costs, but they also have an advantage in sharply lower material costs. Certain popular sizes of nylon yarn, the major constituent of nylon netting, are reportedly sold in Japan at one-third their price in the United States.

JAPAN HAS CAPTURED OVER HALF OF THE U.S. MARKET FOR COTTON NETTING

Japan, aided by the duty reduction in 1955, and by means of persistent price cutting early in the decade,[4] became well established in the U.S. market during the 1950's. No data are available on shipments of cotton netting by the domestic industry during this period. However estimates of production recorded by the National Cotton Council and by the companies represented here, indicate that from 1960–69 imports grew to supply as much as 70 percent of the market (see Appendix I). Japan has been the chief supplier.

The decline in consumption as well as in imports during the last decade, as indicated by the table, reflects the gradual displacement of cotton netting by netting made of synthetic fibers. In addition, the long-term cotton textile arrangement entered into by the United States and other countries in 1961 has had its effect on imports of fish netting and nets made of cotton. Despite these two factors in 1969, Japan exported 325,000 pounds of cotton fishing nets and netting, and of this total, 46 percent went to the United States.[5] Next to Burma which took 47 percent, we were her best customer.

IMPORTS OF SYNTHETIC FIBERS FROM JAPAN HAVE BEEN INCREASING SHARPLY

Fish netting and fishing nets of most man-made fibers were held dutiable under paragraph 1312 of the Tariff Act of 1930 as manufacturers of filaments, fibers, yarns, or threads of rayon or other synthetic textile. In 1948, pursuant to the General Agreement on Tariffs and Trade (GATT), the rates of duty provided in the 1930 Act were reduced nearly 50 percent, namely, from 45 cents per pound and 65 percent ad valorem to 27½ cents per pound and 35 percent ad valorem. In 1951, by reason of the Torquay protocol to GATT, the specific rate was reduced from 27½ cents to 25 cents per pound. In 1956 at Geneva, GATT "gill nets or netting or synthetic textile" were carved out of this basket at no change of duty, namely 25 cents per pound and 35 percent ad valorem. The rates of duty on the balance of this paragraph (1312), including all other fish netting and fishing nets of rayon or other synthetic textile, were reduced to 25 cents per pound and 30 percent ad valorem.

Under the Tariff Classification Act of 1962 the rates of duty on gill netting or nets and all other fish netting or nets were averaged to produce a rate of 25 cents per pound and 32.5 percent ad valorem, which is the current rate. The provision was broadened in scope to include netting or nets of textile materials other than vegetable fiber.

Despite the presence of tariffs, the same pattern of regional market impact and price cutting which Japan used so successfully with cotton netting is strikingly evident as she now penetrates deeper and deeper into the U.S. synthetic netting market. Japan dominates the world as the chief supplier of fish nets and netting of synthetic fibers. Her world exports of such products in 1969 were at a rate nearly eight times the total of U.S. production (see Appendix III). The chart in appendix III shows Japan's tremendous export capability. With very little effort, she could wipe out the U.S. domestic industry simply by reducing more of her exports to this country.

Japan accounts for almost all of the imports to the United States of netting and nets of synthetic fibers (Appendix I). From 1964 on, she has steadily increased her exports to this country. Over the past five years imports from Japan have increased almost 200 percent and she now has over 22 percent of the domestic market. Unless there is some regulation of her exports into this market Japan will swamp the United States with imports and force out of business an industry which is necessary for defense and vital for the survival of our country in event of all-out war.

[4] Average unit values of imports from Japan from 1951 to 1955 are: 1951—$1.08; 1952—$.94; 1953—$.91; 1954—$.89; 1955—$.79. Source: Bureau of the Census.

[5] Japan Exports, Ministry of Finance, published by the Japan Tariff Association.

RELIEF FOR THE INDUSTRY

The fish netting industry asked for relief from increasing imports in 1968, when the undersigned testified before the Committee on Ways and Means during hearings on trade legislation very similar to that under consideration now.

As the statistics on imports show, relief is even more desperately needed in 1970. Appendix II estimates the ratio of imports to consumption at over 25 percent, and the rate of growth is extremely alarming over the past five years.

The Report on H.R. 18970 notes the tremendous increase in man-made fiber textiles over the past three years.[6] Appendix I dramatically illustrates the truth of this assertion with regard to fish nets and netting, showing how the decline in cotton fishnet imports has been more than matched by the growth of imports of synthetic fish netting, particularly from Japan.

Fishnets and netting come within the definition of "textile articles" as defined in Sec. 206(1) of the bill; pursuant to Sec. 206(3) of the bill, the appropriate "categories" into which fish netting and nets fall are described in Tariff items 355.35 and 355.45, as determined by the Secretary of Commerce.

The domestic manufacturers of fish netting and nets represented herein strongly support the quota provisions of H.R. 18970. The experience of the last five years has shown that tariff rates are not sufficient to control the increasing volume of imports; quotas must be established to bring about an orderly trade in textile articles. This is especially true with regard to articles of man-made fibers, such as nylon, which are not subject to the long-term cotton textile arrangement of 1961.

In addition to quotas, there is a definite need for a workable escape clause provision. Title I, Chapter 2, of H.R. 18970 represents a much-needed revision of the ineffectual trade adjustment provisions of Sec. 301 of the Trade Expansion Act of 1962. The present criteria for an affirmative finding by the Tariff Commission regarding injury in an escape clause investigation has proved too difficult to meet. Out of some 54 petitions for relief filed under Section 301 since enactment of the 1962 Trade Expansion Act, only 3 industry and 7 worker petitions have received an affirmative finding, and no firm or company petition has met the criteria.[7] The difficulty has been in linking increased imports with previous trade agreement concessions, and further, in requiring that the increased imports be the major factor in causing, or threatening to cause, injury.

The domestic fish netting industry strongly supports the changes to the escape clause provisions presented in H.R. 18970. They, with the quota provisions of Title II of the bill, should enable this beleaguered industry to keep its head above the rising waters of imports.

DOMESTIC FISH NETTING MANUFACTURERS

Bayside Net & Twine Company, P.O. Box 951, Brownsville, Texas.
First Washington Net Factory, Inc., Fourth Street, Blaine, Washington.
The Fish Net & Twine Company, 927 First Street, Menominee, Michigan.
Hope Fish Netting Mills, Hope, Rhode Island.
Indian Head Yarn & Thread, Linen Thread Division, Blue Mountain, Alabama.
Nylon Net Company, 7 Vance Avenue, Memphis, Tennessee.
Starr Net & Twine Company, Inc., 12 Summit Street, East Hampton, Connecticut.
Commercial Fishing Supplies, Inc., East Haddam, Connecticut.

HOWARD C. JOHNSON, *Sales Manager,*
The Linen Thread Co.,
Blue Mountain, Ala.

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[6] Report of the Committee on Ways and Means, House of Representatives, to accompany H.R. 18970 (House Report No. 91–1435), p. 36.

[7] Seven recent worker petitions and one recent firm petition have resulted in evenly split findings, and the President has chosen to act on the affirmative finding in those cases.

APPENDIX I.—FISH NETTING AND FISHING NETS: U.S. IMPORTS FOR CONSUMPTION, TOTAL AND FROM JAPAN, AND ESTIMATED U.S. SHIPMENTS AND CONSUMPTION 1960-69

[Volume figures in thousands of pounds]

Item	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Of cotton:										
Imports:										
Total	416	357	277	88	133	109	95	107	99	71
From Japan	320	258	234	70	110	62	67	83	92	58
Domestic shipments	1,650	1,163	784	411	353	352	261	119	46	30
U.S. consumption	2,066	1,520	1,061	499	486	461	356	226	145	101
Percent supplied by imports from:										
All countries	41.8	46.5	45.9	26.0	39.6	34.5	26.7	47.3	68.2	70.3
Japan	32.1	33.6	38.7	20.7	32.8	19.7	18.8	36.7	63.4	57.4
Of synthetic fibers:										
Imports:										
Total	390	365	240	214	153	259	416	640	639	713
From Japan	372	311	210	200	148	251	398	561	548	662
Domestic shipments	1,650	1,734	1,800	1,850	1,800	2,159	2,344	2,252	2,230	2,260
U.S. consumption	2,040	2,099	2,040	2,064	1,953	2,418	2,750	2,892	2,869	2,973
Percent supplied by imports from:										
All countries	20.4	22.9	13.4	12.8	9.4	12.1	15.1	22.1	22.3	24.0
Japan	19.5	19.5	11.7	11.9	9.1	11.7	14.5	19.4	19.1	22.3

Source: Imports from official statistics of the U.S. Bureau of the Census; domestic shipments from National Cotton Council and data supplied by domestic producers.

APPENDIX II.—FISH NETTING AND FISHING NETS: U.S. PRODUCTION AND IMPORTS, 1960-69

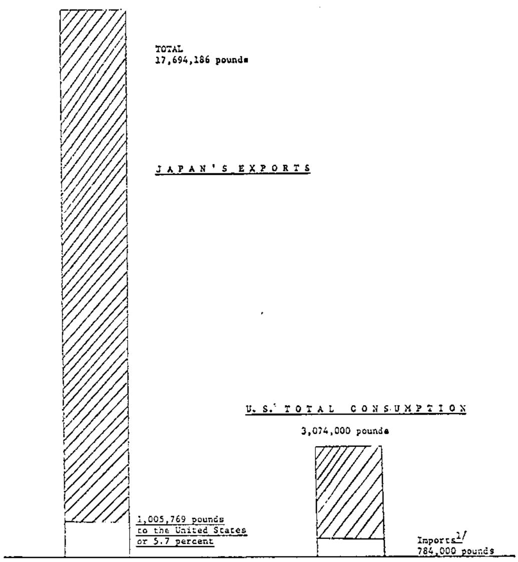
	1,000 pounds production	1,000 pounds imports	1,000 apparent consumption [1]	Ratio imports to consumption (percent)
1960	3,230	806	4,036	20.0
1961	2,907	722	3,629	19.9
1962	2,584	517	3,101	16.7
1963	2,261	302	2,563	11.8
1964	2,153	286	2,439	11.7
1965	2,511	368	2,879	12.8
1966	2,605	511	3,116	16.4
1967	2,371	747	3,118	24.0
1968	2,276	738	3,014	24.4
1969	2,290	784	3,074	25.5

[1] Equals production plus imports. Shipments coincide very closely with production; exports are believed to be negligible.

Source: National Cotton Council and U.S. Bureau of Census, except as noted.

Appendix III

Fishnets and Netting: Japan's Exports to All Countries and to the United States and U.S. Total Consumption, 1969.



1/ U.S. imports understated because of classification limitations

Source: Official statistics of countries concerned

Statement on Behalf of American Dinnerware Emergency Committee

This is a statement filed on behalf of the American Dinnerware Emergency Committee, formed by concerned clay dinnerware and clay artware manufacturers to prevent the continued destruction of American companies by foreign imports. It is comprised of the thirteen undersigned companies who, to the best of our knowledge account for more than 80 percent of the earthenware dinnerware[1] produced in the United States today.

Production of earthenware dinnerware similar to the type made in the United States today began before 1900 in the general area of East Liverpool, Ohio, and, unless something is done to stop the decimation of this industry, it will probably end there in the not too distant future.

DECLINE IN U.S. DINNERWARE INDUSTRY AND RISE OF IMPORTS

Continuing a decline which started after foreign industries had recovered from World War II, U.S. shipments of earthenware dinnerware fell 24 percent from 1959 to 1969. In this same period the number of producers dropped from 20 to 13, kiln capacity declined about 20 percent, employment declined more than 45 percent, and the exports, small in 1959, declined more than 60 percent.

Meanwhile, the quantity of imports of earthenware dinnerware increased 124 percent and the quantity of directly competitive imports of china dinnerware increased 370 percent from 1959 to 1969! Imports of all earthenware table and kitchen articles, as distinguished from dinnerware, rose 31 percent in the same period (Table 2).

WHAT DINNERWARE IS AND HOW IT IS MADE

Earthenware dinnerware comprises all articles for service of food at the table at meal time. It is made primarily from clay, silica, and feldspar, which are mixed together with water to make the whole plastic or fluid, and formed in plaster molds by "jiggering" or casting. The formed ware is dried, fired, glazed and refired, or dried, glazed and fired once, depending on the procedure desired and whether or not the ware is to be decorated under the glaze. Over-glaze dec-

[1] Including fine stoneware, which is dutiable in the same tariff items as fine earthenware.

orations are applied on the glaze and the ware is reheated. Much ware is decorated by putting color in the glaze.

China dinnerware is made of much the same materials and in much the same way as earthenware; merely different proportions and different firing temperatures are used.

THE PLANT SIZES AND LOCATIONS

The presently operating earthenware dinnerware plants employ from less than 50 to more than 1,000 workers in the production of such ware; the average is less than 500. Three plants each are located in Ohio and West Virginia, two each in Pennsylvania and California, and one each in New Jersey, Michigan and Oklahoma.

The industry has made great efforts to mechanize as much as possible and, although the producers were largely mechanized by the middle 50's they were able to increase output per man-hour further between 1959 and 1969. Despite increased productivity, this is still a labor-intensive industry, and much of the labor required is highly skilled.

SALES CHANNELS, PRICING, AND PRICES

U.S. producers of earthenware dinnerware sell a small amount of their ware to wholesale distributors but primarily to department and specialty stores, mail order houses, and premium outlets. The latter market is very volatile.

INDUSTRY TRENDS

It is difficult to show the true trend of output of an industry plagued with attrition of producers, as is the earthenware dinnerware industry; for, each time an industry survey is made, information is available only from the survivors. Thus, not only is data from the closed firms lost, tending to show a lesser decline in business than actually took place; but the survivors may actually get a little benefit in business by "feeding on the bones of the victims".

FACTORIES IN DEPRESSED AREAS

Many of the closed potteries as well as those still operating are in Appalachia and other areas of depressed employment. Increased production of pottery, because of its high labor content, could be one of the best sources of increased employment in Appalachia.

Import competition has restricted price increases and as a result they have been much smaller than the increase in cost of living.

IMPORT TRENDS OF EARTHENWARE AND COMPETITIVE CHINA DINNERWARE

Imports of earthenware dinnerware and of china dinnerware selling in the wholesale price range of about $13 to $32 per 45-piece set together supplied more than one-fourth of the U.S. market for low-to-medium-priced ceramic dinnerware in 1959. They both increased almost uninterruptedly since 1959 and now supply more than one-half the U.S. market for ceramic dinnerware in the low-to-medium-price range. These dinnerware imports (under tariff items 533.25, 533.36, 533.28, and 533.65) sell at prices which effectively cover the price range of U.S. earthenware dinnerware. Table 3 shows the relationship of the foreign export values of the 77-piece norm, on which the value brackets of import items covering dinnerware are based, and approximate U.S. wholesale prices of 5-piece and 45-piece sets of imported dinnerware.

TARIFF RATE REDUCTIONS AND THEIR EFFECT

The 10-year increase of 124 percent in imports of earthenware dinnerware occurred under rates of duty which during 1959–1967 averaged about 55 percent lower than the 1930 rate. The average rate was 60 percent lower in 1968, and 63 percent lower in 1969. These rates on earthenware dinnerware will be reduced further under the "Kennedy Round", to an average of about 74 percent below the 1930 rates by 1972, when they will be equivalent to about 14 percent ad valorem (Table 4)!

The enormous increase in imports of china dinnerware competitive with U.S. earthenware entered during the entire 10-year period, 1959–69, under a rate of duty about 20 percent lower than the 1930 rate. The reduced rate effective September, 1955 is equal to about 60 percent ad valorem. The easy access to the U.S.

market at the current rate strongly indicates that not only the reduced rate of duty, but also the 1930 rate, is inadequate to prevent competition injurious to the U.S. earthenware dinnerware industry.

The impact of the increase in imports on the U.S. earthenware dinnerware industry has been great—particularly because china is competing with earthenware, and sometimes at lower prices. (The average value per dozen pieces of the imported earthenware dinnerware imported in 1969 was 50 cents greater than the average value per dozen pieces of china dinnerware imported in that year under tariff item 533.65.)

Imported earthenware dinnerware is made in shapes and patterns much like those made in the United States; it is sold in the same channels of trade, and is distributed throughout the country.

THE PREMIUM MARKET

In 1961, less than one percent of the imports of earthenware dinnerware went to the market for ceramic dinnerware premiums and little if any imported china dinnerware went to that market. Imported ceramic dinnerware is now reported to have taken more than 30 percent of that growing market (for all commodities, at an annual rate of 10–14 percent).

PRINCIPAL FOREIGN SUPPLIERS

Japan is, of course, the chief supplier of the imports of ceramic dinnerware here discussed, supplying more than 95 percent of the china dinnerware imported under tariff item 533.65 and the majority of the earthenware dinnerware. That country supplies the bulk of imported earthenware dinnerware in all but the highest value bracket and in that category is exceeded only slightly by the United Kingdom.

NEED FOR RELIEF

The U.S. earthenware dinnerware industry is obviously in need of drastic relief from injurious import competition. Any weak firms in the industry 15 years ago have long since closed and the constant pressure from imports has weakened even some of those which were then strong.

EFFORTS TO OBTAIN RELIEF

The industry has made efforts more than commensurate with its meagre finances to obtain relief. It has petitioned the Congress in past hearings; it has conferred with the appropriate offices of the State and Commerce Departments; it has undergone an escape-clause investigation by the Tariff Commission under the current law; it has even sent emmissaries to Japan to confer with representatives of the ceramic dinnerware industries in that country—all without results.

NEEDED CHANGES IN THE "ESCAPE-CLAUSE"

The rules for obtaining relief from injury to industries producing articles like or directly competitive with imports need to be changed. Relief of an industry should be based on actual or threatened serious injury, a substantial cause of which is an actual or relative increase in imports, regardless of when or whether the duty was reduced. There are many reasons why increased imports may not follow soon after duty reductions. One is that negotiators often request reductions on specific items, based less on present prospects than on hopeful plans for the future.

In determining if an industry has been injured the data for a firm should be limited to that portion of the firm allocable to the production of the articles like or directly competetive with the alleged injurious imports. Tariff items are not described in terms of the products of an entire firm or estabilshment. A firm producing articles described in three tariff items may have no import competition on one, moderate competition on another, and injurious competition on the third. Several multi-product firms in an industry in which the remaining firms produce only the offending imported articles, might affect the industry statistics in a way to prevent the industry from satisfying the injury criteria.

The criteria for injury and relief should be the same for industries, firms, and workers. If the most efficient industry of its kind in the world is not worth saving neither are its component firms; and instead of receiving a temporary stay, its wrokers should be retrained to other pursuits and perhaps moved to other areas.

SUMMARY

In 1959 the U.S. earthenware dinnerware industry had already lost about 10 substantial producing firms to import competition in the previous five years. In the ten-year period beginning in 1959 the number of firms, employment, shipments, and exports declined an additional one-fourth to one-half.

Meanwhile imports of earthenware and lower-priced china table and kitchen articles almost tripled from 1949 (after some recovery from World War II) to 1959. From 1959 to 1969, imports of earthenware and lower-priced china dinnerware (as distinguished from all table and kitchen articles), the kinds with which U.S. earthenware dinnerware directly competes, increased 240 percent.

To save the earthenware dinnerware industry the escape-clause needs to be revised so that:

(1) Injury can be found regardless of when or whether the duties were reduced on the injurious imported articles;

(2) Relief can be granted if an increase in imports, either actual or relative, is a substantial cause of serious injury or threat thereof, and;

(3) The U.S. industry is defined as those firms or appropriate subdivisions thereof which produce the articles that are like or directly competitive with the injurious imports.

These changes are embodied in Title I, Chapter 2 of The Trade Act of 1970 (H.R. 18970), as it was reported by the Committee on Ways and Means. They are long overdue. We submit that they at least, should be made law this year, in order that affect industries such as ours may set in motion the machinery which we hope will result in the relief which we so desperately need.

MEMBERSHIP LIST OF AMERICAN DINNERWARE EMERGENCY COMMITTEE

Canonsburg Pottery Company, Canonsburg, Pennsylvania.
Frankoma Pottery, Sapulpa, Oklahoma.
The Haeger Potteries, Inc., Dundee, Illinois.
Hall China Company, East Liverpool, Ohio.
Harker Pottery Company, East Liverpool, Ohio.
The Homer Laughlin Company, Newell, West Virginia.
Hull Pottery Company, Crooksville, Ohio.
Metlox Manufacturing Company, Manhattan Beach, California.
Mount Clemens Pottery Company, Mount Clemens, Michigan.
The Pfaltzgraff Company, York, Pennsylvania.
Royal China, Inc., Sebring, Ohio.
The Scio Pottery Company, Scio, Ohio.
Taylor, Smith & Taylor Company, East Liverpool, Ohio.

Respectfully submitted,

R. S. REESE,
Chairman, The Scio Pottery Company.

TABLE 1.—CERAMIC DINNERWARE:[1] U.S. IMPORTS FOR CONSUMPTION OF LOWER PRICED CERAMIC DINNERWARE AND EXPORTS OF DOMESTIC EARTHENWARE, 1959-69

Year	Quantity (1,000 dozen pieces): Imports for consumption: Earthenware sets valued over $3.30 per norm[2]	Chinaware sets valued $10 to $24 per norm[2]	Total	Exports of earthware table and kitchen articles
1959	3,022	2,756	5,778	838
1960	3,420	2,931	6,351	642
1961	3,176	2,506	5,682	484
1962	3,923	3,063	6,986	398
1963	5,112	4,933	10,045	349
1964	5,054	6,999	12,053	375
1965	4,891	6,937	11,828	337
1966	5,839	6,895	12,734	459
1967	5,483	8,325	13,808	405
1968[3]	6,231	10,150	16,381	323
1969[3]	6,775	12,981	19,756	293

[1] Dinnerware is ware for service of complete meals at the table.
[2] The "norm" consists of 77 pieces—12 each of dinner plates, bread and butter and salad plates, teacups and saucers, soups, and fruits and 1 each of platter, vegetable dish, sugar, and creamer. If soups or fruits are not available, cereals are substituted.
[3] Preliminary.

Source: U.S. Tariff Commission, except for domestic shipments in 1968 and 1969.

TABLE 2.—EARTHENWARE TABLE AND KITCHEN ARTICLES: U.S. IMPORTS FOR CONSUMPTION BY VALUE CATEGORIES, 1962-69

[In thousand dozen pieces]

Period	Value category: Bottom	Middle	Top	Total
1959	3,800	961	3,194	7,955
1960	4,668	1,063	3,500	9,231
1961	3,944	947	3,249	8,140
1962	3,292	1,101	4,393	8,786
1963	2,170	1,069	4,905	8,144
1964	1,224	929	5,389	7,542
1965	1,350	727	5,574	7,651
1966	1,284	762	6,639	8,685
1967	1,326	778	6,323	8,427
1968	1,468	876	7,432	9,776
1969	1,155	837	8,403	10,395

Source: U.S. Tariff Commission.

TABLE 3.—RELATIONSHIP OF FOREIGN EXPORT VALUE OF 77-PIECE NORM AND U.S. WHOLESALE PRICES OF 5-PIECE AND 45-PIECE SETS OF DINNERWARE

77-piece norm foreign value[1]	U.S. wholesale price (approximate): 5-piece place setting[2]	45-piece set[3]
$3.30[4]	$0.40	$4.00
$7.00[4]	.90	9.00
$10.00[5]	1.30	13.00
$12.00[4]	1.50	15.00
$24.00[5]	3.20	32.00

[1] Also export or dutiable value.
[2] Dinner plate, salad plate, bread and butter plate, tea cup, and saucer.
[3] 8 each of dinner plate, salad or bread and butter plate, soup or cereal, tea cup and saucer, and 1 each of platter, vegetable dish, sugar, and creamer.
[4] Earthen dinnerware tariff class value limits.
[5] China dinerware tariff class value limits.

TABLE 4.—CERAMIC DINNERWARE: RATES OF DUTY EFFECTIVE IN SPECIFIED YEARS 1930–72; AND AD VALOREM EQUIVALENTS OF THE DUTIES BASED ON IMPORTS IN 1969

Tariff item		1930		1955		1968		1969		1972	
Number	Description	Rate of duty	Ad valorem equivalent	Rate of duty	Ad valorem equivalent	Rate of duty	Ad valorem equivalent	Rate of duty	Ad valorem equivalent	Rate of duty	Ad valorem equivalent
533.25 and 533.26	Earthern dinnerware valued $3.30 to $12.00 per norm.	10¢ doz.+50 percent.	56	10¢ doz.+21–37 percent.	28	10¢ doz.+21–33.5 percent.	28	10¢ doz.+21–30.5 percent.	28	10¢ doz.+21 percent.	27
533.28	Earthern dinnerware valued over $12.00 per norm	10¢ doz.+50 percent.	53	10¢ doz.+21 percent.	24	9¢ doz.+18.5 percent.	22	8¢ doz.+16.5 percent.	19	5¢ doz.+10.5 percent.	12
	Total over $3.30		54		25		22		20		14
533.65	China dinnerware valued $10.00 to $24.00 per norm.	10¢ doz.+70 percent.	75	10¢ doz.+55 percent.	60	10¢ doz.+55 percent	60	10¢ doz.+55 percent.	60	10¢ doz.+55 percent.	60

Statement Submitted by Amalgamated Clothing Workers of America and International Ladies' Garment Workers' Union

I. Introduction

The nature of the apparel industry makes it especially vulnerable to assault by imports, particularly from lower-wage countries. Indeed, the rise in imports which has been occurring was inevitable so long as the nation's trade policies failed to take into account the special problems of the garment industry. The consequence of this failure has been the curtailment of job opportunities for American workers and constantly increasing downward pressure on the wages and incomes of those who do find work in the industry.

Competition from abroad is magnified in apparel by the ease with which new plant capacity can be built up. Capital requirements for entry into the business are rather modest. It is a labor-intensive industry, for which workers can be trained with relative ease in a very short period of time. Furthermore, technology in this industry is internationalized, and this in turn eliminates the type of advantages in efficiency that accrue to U.S. producers in other industries as a result of technological innovations. What remains from all of this is a competitive advantage for the foreign producers, based solely on substandard wages and sweat-shop conditions.

It is small wonder that the products from these countries have succeeded in penetrating domestic markets, for the conditions under which these imports are produced have long been barred from the American scene by both collective bargaining and law.

The failure to take this reality into account has created a situation in apparel whereby America's trade policy has been permitted to subvert its social policy. Goods produced under substandard conditions are allowed to enter U.S. markets and undercut the sale of goods produced under conditions, including the payment of minimum wages, that at least meet the requirements of the Fair Labor Standards Act (FLSA).

Significantly, that Act was designed to eliminate such unfair competition. In adopting the FLSA the Congress found, among other things, that "conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers" constitutes "an unfair method of competition" and "interferes with the orderly and fair marketing of goods in commerce." It declared that the policy of the FLSA, "through the exercise by Congress of its power to regulate commerce among the several states *and with foreign nations*," is to eliminate such conditions (emphasis added).

Even though this policy of the FLSA was first enunciated over 30 years ago, the need to eliminate unhealthy competitive developments in U.S. markets resulting from payments of substandard wages, whether at home or abroad, is no less imperative today.

Industrial development and transportation have wrought dramatic changes in the world, as is evident from the burgeoning growth of apparel imports into the U.S. Consequently, if decent working conditions are to be maintained in this country, and if employment opportunities are not to be destroyed because of unfair competition, it is absolutely essential that the nation's trade policy with respect to apparel recognize that the special circumstances of that industry make it particularly vulnerable to assaults by imports from lower-wage countries.

II. Growth in Imports

During the decade of the 1960's, the value of apparel imports into the United States grew more than three-fold, and the degree of import penetration—imports as a percent of domestic production—which was less than 9 percent in 1960 and less than 7 percent in 1961, rose to more than 22 percent in 1969.

TABLE 1.—IMPORT PENETRATION INTO APPAREL MARKETS OF THE UNITED STATES

[In millions of 1957–59 dollars]

Year	Imports [1]	Domestic production	Exports	Degree of import penetration (percent) [2]
1960	$920.8	$10,682.4	$86.7	8.6
1961	744.7	10,879.0	83.3	6.8
1962	1,175.4	11,485.8	70.7	10.2
1963	1,230.4	11,621.7	74.7	10.6
1964	1,462.3	12,157.8	83.3	12.0
1965	1,752.5	12,861.7	96.3	13.8
1966	1,881.3	13,102.0	105.9	14.4
1967 [3]	2,134.6	13,448.4	107.4	15.9
1968 [3]	2,479.4	13,878.1	115.7	17.9
1969 [3]	3,015.8	13,458.5	140.1	22.4

[1] To measure the impact of the physical volume of imports on the domestic market, the dollar volume of imports has been expressed in terms of prices charged for equivalent goods of domestic origin.
[2] Imports as a percent of domestic production.
[3] Preliminary estimate.

Source: ILGWU Research Department.

Dramatic as may be the trends revealed by Table 1, such aggregate data serve to conceal developments that are even more startling.

In 1961, when it was recognized by the United States that imports of clothing and textiles constituted a serious problem that had to be brought under control, agreements were negotiated with foreign countries under GATT auspices to regularize this trade and, in the process, to open new markets for underdeveloped countries in countries that barred such shipments. These agreements, however, applied only to products made from cotton; other products, whether made of wool or man-made fibers were not involved.

The agreement applicable to cottons—the Long-Term Cotton Arrangement—has helped to slow the rate by which cotton garments produced abroad have entered the American market. Predictably, however, foreign producers have shifted their emphasis, and have increased shipments of apparel made of man-made fiber and of wool. Thus, they have been able to step up their rate of penetration into U.S. markets.

As Table 2 shows, between 1962 and 1969, imports of wool garments grew by 77 percent, while imports of garments of man-made fiber escalated 1,770 percent—an 18-fold increase. Consequently, even though imports of apparel items made of cotton rose by only 37.5 percent, the total for all garments more than tripled.

TABLE 2.—IMPORTS OF APPAREL PRODUCTS INTO THE UNITED STATES, 1962–69

[In millions of square yards equivalent]

Year	All fibers	Cotton	Wool	Manmade fiber
1962 [1]	476.3	381.8	45.6	48.9
1963	492.5	384.2	54.6	53.7
1964	560.7	414.7	53.9	92.1
1965	684.2	457.1	67.6	159.4
1966	777.1	485.0	72.9	229.5
1967	877.7	475.4	59.3	343.0
1968	1,152.6	514.7	79.6	558.3
1969	1,520.1	524.8	80.6	914.7
Percent change, 1962–69	219.1	37.5	76.8	1,770.6

[1] Data prior to 1962 are not available.

Source: U.S. Department of Commerce, Office of Textiles.

Moreover, data for 1970 show that this growing penetration of U.S. apparel markets continues uninterrupted. Despite the fact that the American economy is in a recession, apparel imports are continuing to soar. The volume of imports, in square yards equivalent, was one-third higher—398.4 million as compared to 333.9 million—during the first quarter of 1970 as compared to the first quarter of 1969.

The full meaning of these data, which are for all garments combined, can perhaps be brought into sharper focus by examination of Table 3, which presents data on the growth in imports of specific items of apparel.

TABLE 3.—GROWTH OF IMPORTS AND IMPORT PENETRATION INTO U.S. APPAREL MARKETS FOR SELECTED ITEMS, 1961 AND 1969

	Imports of apparel			Degree of import penetration [1] (percent)	
	1961 [2]	1969 [2]	Increase (percent)	1961	1969
Men's and boys' coats and jackets	0.4	14.8	3,600.0	(3)	17
Women's and children's coats and jackets	.6	12.0	1,999.0	1	24
Rainwear	1.3	5.5	323.1	6	22
Men's and boys' suits	.1	.9	800.0	(3)	4
Women's and children's dresses	3.3	22.0	566.7	1	6
Men's and boys' shirts, not knit	23.7	122.0	415.6	6	30
Men's and boys' shirts, knit	11.9	50.4	323.5	8	20
Women's and children's blouses	29.4	78.4	166.7	9	24
Sweaters	7.2	108.3	1,404.2	5	72
Women's and children's skirts	.5	7.3	1,360.0	(3)	7
Men's and boys' trousers and shorts	12.2	38.2	213.1	3	8
Women's and children's trousers and shorts	31.1	80.7	159.5	23	32
Playsuits	11.0	14.5	31.8	8	13
Women's and children's underwear	1.6	6.9	331.3	(3)	8
Brassieres	31.5	43.8	39.0	15	18
Pajamas and other nightwear	6.0	24.8	313.3	3	10
Dressing gowns and robes	1.3	5.2	300.0	3	10
Gloves	54.1	146.9	171.5	17	39

[1] Ratio of apparel imports to domestic U.S. production.
[2] Millions of units.
[3] Under 0.5 percent.

Source: ILGWU Research Department.

The items listed, it should be noted, are not peripheral to the industry. Rather, they comprise the industry's mainstream—no part of which, as the data clearly indicate, is immune from assaults by the unfair competition that these imports represent.

Table 3 not only shows the extent to which imports have grown; it shows also the consequences of that growth—in the increase in the degree of penetration of the U.S. market for the specific items of apparel. As noted earlier, for the industry as a whole the degree of penetration already exceeds 22 percent—nearly three times the rate that prevailed at the outset of the last decade. Without some action to reverse the steady upward trend, it is quite clear that it is only a matter of time before the markets for most of the items in Table 3—which have already been severely eroded—are totally destroyed for domestic producers and for the workers whose jobs and incomes are involved.

The trend is there for all to see, and it is not an overstatement to label the situation a clear and present danger. To do otherwise would be to overlook the obvious.

III. ECONOMIC IMPACT ON WORKERS

The supreme irony that grows out of the failure to deal with the special import problems as they affect the apparel industry lies in the fact that the work and income opportunities being destroyed are in an industry which has traditionally been a source of employment for large numbers of workers who can rightly be characterized as "disadvantaged." In the absence of the opportunities provided by the garment industry, and in the absence of any meaningful alternatives, many of them are destined for unemployment. This makes no sense whatsoever, at a time when the nation seeks to set a course to eradicate urban and rural poverty.

Geographic distribution

Although two-thirds of the employment in the apparel industry is located in the nation's metropolitan areas, the available data show clearly that the industry is also a significant source of employment in the *non*metropolitan areas of many states.

An analysis of 1966 Census data disclosed that employment in garment manufacturing represented 10 percent or more of total manufacturing employment in 42 of the nation's Standard Metropolitan Statistical Areas (SMSA's). In all of those 42 SMSA's combined, jobs in the apparel industry accounted for one-fifth of all manufacturing employment.

No less instructive concerning the significance of the apparel industry as a provider of jobs are data presented in Bulletin No. 1635 of the U.S. Bureau of Labor Statistics.[1] There it is disclosed, in an anlysis of employment in selected states, that apparel employment—while slightly more than 7 percent of all manufacturing employment throughout the entire nation—comprised 23 percent of manufacturing employment in the *non*metropolitan areas of Alabama, 22.5 percent of such employment in Georgia, 23.7 percent in Mississippi, 16.5 percent in Missouri, 8.2 percent in New Jersey, 11.4 percent in North Carolina, 15.0 percent in Pennsylvania, 12.2 percent in South Carolina, 27.1 percent in Tennessee, 11.5 percent in Texas, and 11.6 percent in Virginia.

Clearly, therefore, the garment industry and its jobs are important to the economic well-being of both urban and rural areas across the nation.

Characteristics of the workforce

The types of jobs that are at stake—and who it is that fills them—are no less important than the location of those jobs.

Most of the tasks performed by workers in the industry do not fall into the skilled category. Skills that were once required in the industry have been diluted by new production techniques. In the case of sewing machine operators, for example, the work is now subdivided to such a degree that most operators may do no more than sew single, short-run seams on garment parts. Once the elementary instruction in the handling of a sewing machine is given to an inexperieced worker—and this requires little time—the rest of the learning process consists of a progressive and relatively rapid acquisition of operating speed.

Consequently, one important feature of most of the jobs in apparel manufacturing is that they involve skills that can be acquired without an extended period of training.

Another important aspect of apparel industry employment relates to the job needs of America's racial and ethnic minorities. While 10 percent of the workers in all manufacturing combined were nonwhite in 1969, in the apparel industry the proportion exceeded 12 percent. In the nation's population centers, the degree of nonwhite participation in the industry was higher still, according to the Equal Employment Opportunity Commission.[2] EEOC data also help to document the importance of the apparel industry as a source of employment for workers with Spanish surnames.

The garment industry is also a very important job source for women. Fully 80 percent of the jobs—about 1.3 million out of a total of approximately 1.7 million—are held by women.

The economic importance of these job opportunities is perhaps best indicated by the results of a report [3] by the U.S. Bureau of Labor Statistics which indicates that over 40 percent of the nation's female jobholders are single, widowed, divorced, or separated. In terms of female participation in the garment industry, such a ratio would mean that this industry is providing over 500,000 jobs for women who do not have husbands to support them.

Moreover, with respect to married women who are active participants in the labor force, the BLS study discloses that, among married women in families with school-age children, the highest participation rates are to be found in families where the husband's income is below $7,000 per year.

In other words, the jobs that the industry provides for women workers are an economic necessity, and the women who rely on them are not casual workers with only a tenuous attachment to the labor force. The economic base that is being eroded by imports from low-wage countries is vital to their livelihoods, and to the livelihoods of their families.

Impact on employment and earnings

To some extent this erosion can be seen in the industry's employment trends and in the trends in hours of work in recent years. Employment has tunred down, and so has total manhours in apparel manufacturing.

Such aggregate data do not, however, reflect the impact of imports with respect to jobs that were never created, but which would have been—had not foreign goods captured an ever-growing share of the market.

The fact is that, on balance, foreign trade in apparel has cost the United States 211,900 production jobs during the decade of the 1960's alone. This is the cumula-

[1] *Labor in the Textile Industry*, August 1969.
[2] *Equal Employment Opportunity Report No. 1*, 1966.
[3] *Martial and Family Characteristics of Workers*, March 1969.

tive year-to-year total of the difference between the number of jobs resulting from U.S. apparel exports (plus) and the number of jobs lost as a result of imports of apparel (minus).

These estimates are presented in Table 4 and involve allocating employment gains or losses according to export and import ratios—that is, the volume of exports and imports as percentages of total domestic production. Thus, in 1961 there was a net gain of jobs—24,500 of them—after netting out the impact of imports and exports in 1961 as compared to 1960. Since then, however, each year of the decade saw more jobs being lost because of imports than were gained because of exports, and the cumulative total through 1969 was 211,900.

TABLE 4.—NET LOSS OF U.S. APPAREL INDUSTRY JOBS ATTRIBUTABLE TO IMPORTS, 1960–69

[In thousands]

Year	Employment impact: Imports	Employment impact: Exports	Employment impact: Net loss	Year to year change
1960	−111.2	+10.3	100.9	
1961	−86.6	+10.2	76.4	+24.5
1962	−134.8	+7.9	126.9	−50.5
1963	−141.0	+8.0	133.0	−6.1
1964	−162.2	+9.5	152.7	−19.7
1965	−192.0	+9.9	182.1	−29.4
1966	−209.7	+11.6	198.1	−16.0
1967	−229.4	+11.5	217.9	−19.8
1968	−261.6	+11.7	249.9	−32.0
1969	−327.4	+14.6	312.8	−62.9
Cumulative total				−211.9

Source: ILGWU Research Department.

It is important to understand that low-wage apparel imports have a domestic impact that reaches far beyond the impact on employment levels. These imports have caused a severe downward pressure on wage levels in the U.S. apparel industry and, as a result, have depressed substantially the earnings of the workers retained by the industry.

In 1947, as Table 5 shows, average hourly earnings of production workers in apparel manufacturing was $1.16 per hour—six cents less than the average for all manufacturing. Steadily, the gap has widened and, by 1969, it had grown to 88 cents. The ratio of average hourly earnings in apparel to that for all manufacturing had declined from 95 percent in 1947, to 72 percent in 1969.

TABLE 5.—AVERAGE HOURLY EARNINGS OF PRODUCTION WORKERS IN THE APPAREL INDUSTRY [1] AND IN ALL MANUFACTURING, UNITED STATES, 1947–69

Year	Apparel	All manufacturing
1947	$1.16	$1.22
1949	1.21	1.38
1951	1.31	1.56
1953	1.35	1.74
1955	1.37	1.86
1957	1.51	2.05
1959	1.56	2.19
1961	1.64	2.32
1963	1.73	2.46
1965	1.83	2.61
1967	2.03	2.83
1969	2.31	3.19

[1] Standard industrial classification 23.

Source: U.S. Department of Labor.

The explanation for this lies, of course, in the fact that the domestic industry has been faced with the unfair competition from garments produced in low-wage countries where the level of technology and productive efficiency approximates that which prevails in this country. In short, the competitive advantage of these foreign producers has been—and is—provided by the low wages.

In the United States, for example, average hourly earnings in the apparel industry in 1969 were $2.31. Except for Canada where the average was $1.75, the estimates (expressed in U.S. dollars) for all of the other countries fell below $1.00 per hour. In Japan, for example, earnings in the apparel industry averaged 39 cents per hour, and in Hong Kong 26 cents.

These are the earnings of workers in foreign apparel establishments producing goods for the American markets. American producers in this labor-intensive industry do not have the kind of countervailing advantage in technology that might be found in other industries to enable domestic manufacturers to overcome such a substantial advantage in the labor cost of foreign competitors.

IV. CONCLUSIONS

The special problems of the apparel industry—particularly its vulnerability to assaults from the unfair competition of imports produced in low-wage countries—as well as the damage in jobs and incomes of workers that such imports have already wrought, and the escalating rate of penetration of imports into the domestic markets, justify favorable action by the Congress on H.R. 16920. Without this legislation, the prospect is for further erosion of an economic base that is essential to many workers—men and women of all races, and in both urban and rural America—for whom there are few meaningful employment alternatives.

H.R. 16920 will provide essential safeguards for apparel workers in the United States, while advancing the cause of world trade. It is not a protectionist device, but rather an instrument to achieve a more-orderly marketing arrangement. Not only will it not bar foreign producers from our markets; it will enable them to share in whatever growth there is in domestic consumption of apparel products.

It is a measure which will redound to the benefit of the nation, for it will help to safeguard American jobs—and prevent the unfair competition of foreign imports from converting "working poor" into "nonworking poor," with all that this implies in the way of added tax burdens—and it will not harm the interests of the price-conscious consumer.

If there is one industry in which the market place imposes discipline with respect to pricing policies of manufacturers, it is the apparel industry. This is a highly competitive industry, and the continuation of a high degree of competition is assured by the ease of entry into the field. Capital requirements are quite modest and, as a result, the industry is characterized by an almost-infinite number of producers, highly competitive with one another on price as well as on quality and style. This is, no doubt, the reason why the wholesale price index for apparel rose by less than 13 percent between 1947 and 1969, while the index for all industrial commodities showed an increase of nearly 40 percent. Given the fact that retail clothing prices have risen more rapidly, this evidence would suggest a tendency toward excessive mark-ups on the part of retailers—especially chain operations which do a good deal of importing from low-wage countries.

H.R. 16920 would not affect the forces of competition which has restrained price increases in apparel at the producers level. Nor would its rejection serve in any way the consumer's interest in lower prices. But with respect to the jobs it would save for American workers, H.R. 16920 would be a positive force. On this score, if on none other, it warrants support—promptly and with a sense of urgency, for the problem can indeed be labeled a "clear and present danger."

STATEMENT OF A. LLOYD PHILLIPS, PRESIDENT, AMERICAN ANILINE PRODUCTS, INC.

(Before the Committee on Finance, United States Senate, on Behalf of the Ad Hoc Committee of U.S. Dyestuff Producers: American Aniline Products, Inc., Atlantic Chemical Corporation, Berncolors-Poughkeepsie, Inc., Blackman Uhler Chemical Division, Fabricolor Manufacturing Corp., The Harshaw Chemical Company, Industrial Dyestuff Company, Lakeway Chemicals, Inc., Nyanza, Inc., Southern Dyestuff Company, and Young Aniline Works Incorporated; Eugene L. Stewart, Counsel—October 12, 1970)

Mr. Chairman and Members of the Committee: The members of the Ad Hoc Committee of U.S. Dyestuff Producers, listed on Exhibit 1 to this statement, strongly oppose Chapter 4, Title III, of H.R. 18970, the "Trade Act of 1970." Its enactment would authorize the repeal of the American Selling Price basis of customs valuation on imports competitive with our production. Repeal of ASP will destroy our business and the jobs of our workers.

I. THE HEAVIEST IMPACT OF THE REPEAL OF ASP WILL FALL ON THE U.S. DYESTUFF INDUSTRY WHICH IS HIGHLY LABOR INTENSIVE AND VERY IMPORT SENSITIVE

The production of dyes is the most labor-intensive sector of benzenoid chemical production in the United States. The most severe effect of the repeal of ASP will fall upon the U.S. dye producers and their workers. The Tariff Commission so advisd the U.S. negotiators, and they understood that we would be especially vulnerable if ASP were to be repealed. Ambassador Blumenthal, who conducted the negotiations in the Kennedy Round in Geneva, acknowledged this in an address to the German chemical industry: [1]

"The Tariff Commission has found that the tariff effect of ASP protection is significant only for dyes, certain dye intermediates, and a few drugs and other specialty products. These are typically labor intensive, higher priced, batch-produced products. And since labor costs are relatively high in the United States, this batch process area of chemical production is an especially sensitive one for us."

II. THE U.S. DYESTUFF INDUSTRY IS ALREADY HIGHLY VULNERABLE TO IMPORT INJURY AS A RESULT OF THE 50 PERCENT CUT IN DUTIES WHICH IT SUSTAINED IN THE KENNEDY ROUND

The duty to be paid on imports is determined by multiplying the rate by the value. ASP is the rule for determining the value. The *rate* is a separate factor from ASP. The majority of imported dyes were subject, pre-Kennedy Round, to the rate of 40%. This was cut to 20%. No exceptions.

A group of 86 dyes was subject, pre-Kennedy Round, to the rate of 32%. This was cut to 16%. No exceptions. Two dyes, sulphur black and synthetic indigo, were dutiable at a compound rate, 3¢ per pound plus 20%. These were cut to 1.5¢ per pound plus 10%.

A special group of dyestuff components called fast color salts, fast color bases, and Naphthol AS and derivatives—which collectively are referred to as "Azoics"—were subject, pre-Kennedy Round, to the rate of 3.5¢ per pound plus 20%. These were cut to 1.7¢ per pound plus 10%. No exceptions. Synthetic organic pigments—known as "lakes and toners"—were dutiable, pre-Kennedy Round, at 40%. They were cut to 20%. No exceptions.

Finally, advanced chemical compounds made in dyestuff plants, known as advanced intermediates, were also cut by 50%. Most of these were dutiable, pre-Kennedy Round, at 3.5¢ per pound plus 25%. These were cut to 1.7¢ per pound plus 12.5%. A group of 23 advanced intermediates were dutiable, by name, pre-Kennedy Round, at 3¢ per pound plus 20%. These were cut to 1.5¢ per pound plus 10%. A second group of 30 advanced intermediates, and their salts, were dutiable, pre-Kennedy Round, at 2.8¢ per pound plus 20%. These were cut to 1.4¢ per pound plus 10%. No exceptions.

Few industries had each and every product in its line cut by the full 50%. We did.

The U.S. trade negotiators in the Kennedy Round used up evry bit of the President's authority in cutting duties on dyestuffs and dye intermediates by 50%. They then entered into the supplemental chemical agreement, which they neither had authority to negotiate nor to implement, promising to secure the repeal of the ASP value rule, the effect of which will be to reduce duties well below the 50% cut achieved through the reduction in the rates. This is a price asked of no other industry. Why?

This Committee has been asked by the present Administration to ratify the commitment made by the prior Administration, which was clearly beyond the scope of the authority which this Committee and the Congress intended in enacting the Trade Expansion Act of 1962. It would be wrong to single out our industry to bear the burden of bailing out the Executive Branch trade negotiators from the illegal commitment which they sought to make in the supplemental chemical agreement. We do not see how the limits which you place on the President's negotiating power can be respected in the future if you ratify the supplemental chemical agreement.

[1] Address by Ambassador Blumenthal before the European Chemical Industry, Kronberg, Germany, December 8, 1966, p. 7.

III. THE EXISTING SYSTEM OF IMPORT DUTIES ON DYES HAS PERMITTED FOREIGN PRODUCERS STEADILY TO INCREASE THEIR SHARE OF THE DOMESTIC MARKET, AND THIS TREND WILL ACCELERATE AS THE REMAINING STAGES OF THE KENNEDY ROUND TARIFF CUTS GO INTO EFFECT

According to the Tariff Commission, two-thirds of the dyes sold in the United States are consumed by the domestic textile industry.[2] This coincides with trade information. The total invasion of the U.S. market for dyes for the textile industry includes both the dyes imported as dyes, and the dye content of textiles imported in a dyed or printed state.

The existing system of duties based upon the ASP has permitted imports to increase at a much more rapid rate than the growth in domestic shipments or in domestic consumption of dyes. Though the rate of growth has been unequal, it has been regulated to a sufficient extent by the ASP system of duties so as to permit the domestic industry to increase its shipments and employment notwithstanding the steady attrition in the share of the market available to domestic producers.

While the domestic producers of dyes would prefer import regulation which maintains their share of the domestic market relative to imports, they are able to live with a situation in which they have access to some of the growth in the market even though their market share declines.

The experience of the past 8 years demonstrates that the ASP system of duties, while operating more generously for the benefit of foreign producers than for domestic, does serve to maintain growth in employment and in domestic production and sales of dyes. Clearly the foreign producers have the better of it, but the domestic producers have a sufficient position in the market, given the quality of import regulation achieved by the ASP system of duties, to stay alive and to grow and thus to protect the present and future outlook of their employees. The data in the following table are evidence of these facts.

TABLE 1.—COMPARATIVE GROWTH OF IMPORTS OF FOREIGN-PRODUCED DYES AND OF U.S. EMPLOYMENT AND PRODUCTION OF DYES, 1961–69

[In numbers of employees, and in millions of pounds of dyes]

	1961	1965	1967	1968	1969	Average annual percent change 1961–67	Average annual percent change 1967–69
Employment [1]	7,969	9,558	10,383	10,801	11,596	+5.1	+5.8
Domestic production	158.4	190.0	206.4	214.7	[2] 230.5	+5.1	+5.8
For use in textiles [2]	105.7	126.7	137.7	143.2	153.7	+5.1	+5.8
Imports:							
Direct (as dyes)	6.0	10.8	11.8	16.6	20.8	+16.1	+38.1
For use in textiles [3]	4.0	7.2	7.9	11.1	13.9		
Indirect, in textiles [4]	2.4	4.4	5.8	6.5	7.4		
Total for use in textiles	6.4	11.6	13.7	17.6	21.3	+17.2	+27.7
Total supply [5] available for domestic use	156.3	186.4	206.6	221.1	243.7	+5.4	+7.4
In textiles	104.9	125.6	139.7	149.4	161.1	+5.5	+7.7
Ratio of imports to total new supply:							
In textiles (percent)	6.1	9.2	9.8	11.8	13.2		

[1] Employment data derived at the ratio of production (pounds) per employee for industry SIC 28152 in 1963 to the production data for each year. Sources: U.S. Department of Commerce, Bureau of the Census, "1963 Census of Manufactures"; U.S. Tariff Commission, "Synthetic Organic Chemicals, U.S. Production and Sales," annual series.

[2] Production data, 1969, estimated by adjusting the reported 1968 production data by the percent change in the index of industrial production in textile mill products, 1968–69. Sources: U.S. Tariff Commission, "Synthetic Organic Chemicals, U.S. Production and Sale of Dyes, 1968"; Federal Reserve Board, index of industrial production.

[3] According to the U.S. Tariff Commission, two-thirds of domestic consumption of dyes is by textile industry; cf., note 2, p. 4 of text.

[4] Dye content of imported textiles derived by applying the ratio of dyes shipped for textile use to pounds of fiber consumed by textile mills to the pounds of fiber equivalent of imported textiles more advanced than the greige state, as reported by U.S. Department of Agriculture, Economic Research Service, Statistical Bulletins 363, 417, and supplements thereto, and "Cotton Situation," and "Wool Situation"; 1969 import data, per U.S. Department of Commerce, Bureau of the Census, IM 146; other years, U.S. Tariff Commission, "Imports of Coal Tar Products, 1961"; "Imports of Benzenoid Chemicals and Products," 1964–68.

[5] Production plus imports, less exports. Sources: As above, plus U.S. Department of Commerce, Bureau of the Census, for exports.

[2] U.S. Tariff Commission, *Synthetic Organic Chemicals, U.S. Production and Sales, 1967*, T.C. Publication 295 (Washington, 1969), p. 15.

The data in the above table can be summarized in terms of the following highlights: Prior to the taking effect of the annual installment of duty reductions under the Kennedy Round, imports of dyes increased at an average annual rate of 16%, more than three times the rate of increase of domestic production of dyes. Following the taking effect of the Kennedy Round reductions by stages commencing January 1, 1968, imports of dyes have increased at an average annual rate of 38%, more than twice the earlier rate, and now more than six times the rate of increase in domestic production.

The imports' share of the domestic market for dyes in textile uses has more than doubled, increasing from 6% in 1961 to 13% in 1969. This experience is closely similar to that of the cotton textile industry which, properly we believe, has had the benefit of the Long-term Cotton Textile Arrangement and, in addition, which was spared a 50% cut in duties in the Kennedy Round.[3]

The above data and discussion are limited just to synthetic organic dyes. A closely related sector of batch-processing manufacture of labor-intensive benzenoid chemicals is concerned with synthetic organic pigments, sometimes referred to as lakes and toners. These are used in paints and related products, in printing ink, and in plastics and resin materials.[4]

Because the production methods and labor intensiveness are very much the same and their vulnerability to import competition is equal in degree, it is helpful to aggregate the data for the synthetic organic dye and pigments industries. When that is done for the same time period covered by Table 1, we find that the growth of domestic employment and production is similar to that previously discussed for dyes, but that the rising trend of imports is considerably higher than that for dyes alone. The pertinent data are shown in the following Table 2.

TABLE 2.—COMPARATIVE GROWTH OF IMPORTS OF FOREIGN-PRODUCED SYNTHETIC ORGANIC DYES AND PIGMENTS (LAKES AND TONERS), AND OF U.S. EMPLOYMENT AND PRODUCTION OF DYES AND PIGMENTS, 1961–69

[In numbers of employees and in millions of pounds of product]

	1961	1965	1967	1968	1969	Average annual percent change 1961–67	Average annual percent change 1967–69
Employment [1]	11,057	13,601	14,841	15,338	16,464	+5.7	+5.5
Domestic production	193.5	238.0	259.7	268.4	[2] 288.1	+5.7	+5.5
Imports	6.1	12.0	14.3	20.6	31.6	+22.4	+60.5
Total supply for domestic use [3]	186.6	227.1	254.6	265.8	298.1	+6.1	+8.5
Ratio of imports to total supply for domestic use (percent)	3.2	5.3	5.6	7.8	10.6		

[1] Employment data derived at the ratio of production (pounds) per employee for the aggregate of industries SIC 28152, 28153 to the production data for each year. Sources: U.S. Department of Commerce, Bureau of the Census, 1963 Census of Manufactures; U.S. Tariff Commission, Synthetic Organic Chemicals, U.S. Production and Sales, annual series.

[2] Production data, 1969, estimated by adjusting 1968 production data by the percent change, 1968–69, in the index of industrial production in textile mill products for dyes, and in plastics materials and paints (major use categories) for pigments. Sources: U.S. Tariff Commission, Synthetic Organic Chemicals, U.S. Production and Sales of Dyes, and of Pigments, 1968; Federal Reserve Board, Index of Industrial Production.

[3] Production plus imports, less exports. Sources: As above, plus: imports—U.S. Tariff Commission, Imports of Coal Tar Products, 1961; Imports of Benzenoid Chemicals and Products, 1964–68, U.S. Department of Commerce, Bureau of the Census, IM 146 (1969); exports—U.S. Department of Commerce, Bureau of the Census, FT 410, IM 246.

As in the case of dyes, it is evident from the data that the ASP system of import duties has permitted a very strong rate of growth for imports, which increased fivefold in the 8-year period, 1961–1969. Notwithstanding the exceptionally rapid increase in imports, domestic production increased, though much more modestly than imports, and this served to boost employment steadily through the period.

The highlights of the data shown in Table 2 are that the ratio of imports to the total supply for domestic use increased from 3% in 1961 to nearly 11% in 1969. Prior to the taking effect of the Kennedy Round tariff cuts, domestic employment and production rose at an average annual rate of about 6%, in contrast to the increase in imports at an average annual rate of 22%.

Following the taking effect of the Kennedy Round cuts in annual stages, however, a dramatic change in these trends occurred. The rate of increase in domes-

[3] The average reduction in duty in cotton textiles was 20.8%, according to an analysis prepared by the U.S. Department of Commerce, BDSA, Office of Textiles, Trade Analysis Division, June 30, 1967.

[4] U.S. Tariff Commission, *Synthetic Organic Chemicals, U.S. Production and Sales, 1967*, T.C. Publication 295 (Washington, 1969), p. 26.

tic employment and production declined slightly, but the rate of growth of imports increased very dramatically, nearly threefold, to an average annual rate of 60.5%.

The ratio of imports to total new supply for dyes and pigments combined, at approximately 11%, is virtually identical with the similar ratio in the case of all textile articles.[5]

Mr. Chairman, the data in Tables 1 and 2 establish conclusively that the first two stages of the five annual stages of the Kennedy Round tariff cuts on dyes and pigments have strongly stimulated the importation of these products into the United States. When the remaining three stages take effect so that the 50% cut becomes fully effective by January 1, 1972, it is reasonable to infer from the data in these tables that the annual rate of increase of these imports will exceed the 38% annual rate for dyes alone, and the 60% rate for dyes and pigments combined.

Import increases of this magnitude will obviously cause serious disruption of the domestic market and corresponding hardship to domestic producers and their employees. The domestic producers will have their hands full in meeting this continuing and accelerating competitive challenge from the foreign producers. To repeal ASP in the face of these facts would clearly make a bad situation very much worse.

No one can honestly say that the access which is afforded to foreign-produced dyes and pigments under the existing system of duties and the increased access which the Kennedy Round 50% tariff cuts is conferring on foreign producers, is unfair or significantly restrictive of the interests of foreign producers. The situation has already developed to a point where it is plain from the data that the U.S. producers and their employees face diminished market opportunities in the United States with the consequent loss of future opportunity for expansion of production and the domestic work force. It would be harsh and unfair for this Committee to approve the repeal of ASP as it applies to synthetic organic dyes and pigments in the light of this evidence.

IV. THE ASP DOES NOT IN FACT INHIBIT ACCESS TO IMPORTS OF COMPETITIVE DYES AS THEY HAVE INCREASED MORE RAPIDLY THAN NONCOMPETITIVE DYES AT CONVENTIONAL CUSTOMS VALUES

When you cut through all of the rhetoric and rationalizations which are used by the Administration and other opponents of the ASP, it amounts to this: The ASP value basis is claimed to inhibit imports of competitive benzenoid chemicals and thus retard reasonable access to the American market for such foreign-produced chemicals. Tariff Commission data concerning the competitive-noncompetitive status of imported dyes disprove that contention. These data are summarized in the following table.

TABLE 3.—COMPARATIVE ACCESS FOR U.S. IMPORTS OF COMPETITIVE VERSUS NONCOMPETITIVE DYES, 1958-68

	Imports of dyes classified as—				Ratio of competitive to noncompetitive (percent)	Domestic consumption of 3 textile fibers	
	Competitive		Noncompetitive				
	Thousand pounds	Percent change	Thousand pounds	Percent change		Million pounds	Percent change
1958	1,957.6		2,146.1		91.2	5,790.0	
Average, 1959-62	2,425.6	+23.9	2,957.5	+37.8	82.0	6,706.5	+15.8
Average, 1963-64	5,114.4	+110.9	4,187.5	+41.6	122.1	7,552.8	+12.6
Average, 1965-67	6,236.3	+21.9	6,589.4	+57.4	94.6	8,945.8	+18.4
1968	9,421.3	+51.1	9,489.2	+44.0	99.3	9,923.5	+10.9
Percent change, 1958-68	+381.3		+342.2			+71.4	

Source: U.S. Tariff Commission, Imports of Coal-Tar Products, 1958-63; Imports of Benzenoid Chemicals and Products, 1964-68. Textile Organon, March 1962, October 1969, and March 1970.

So far as dyes are concerned, the table establishes that—

1. Imports of dyes classified as competitive on the ASP basis increased more rapidly during the past 10 years than those classified as noncompetitive. This is the direct opposite from what you would expect if the Administration's contentions were true.

[5] When calculated on the basis of fiber equivalent pounds, imports of all textile articles in 1969 were equal to 11.1% of domestic consumption of textile fibers in the domestic market. See data in *Textile Organon*, March 1962, October 1969, and March 1970.

2. Imports of competitive dyes made a mighty surge forward during the years 1963–1964 when the domestic textile market was in a stage of relative decline. This proves that the foreign producers can increase their penetration by boosting their exports of competitive dyes to the United States whenever they choose to do so and are not dependent upon a corresponding rise in the consumption of dyes by the domestic textile industry.

3. When the first stage of the Kennedy Round duty cuts on dyes went into effect, imports of competitive dyes increased by a larger amount and at a greater rate than imports of noncompetitive dyes.

If the ASP basis of valuation were in fact a barrier which inhibits imports over and above the incidence of the duty itself, the changes shown by the table would not have taken place.

Perhaps the most striking fact which emerges from the above table is that imports of competitive dyes not only increased by a larger amount than noncompetitive dyes; the rate of increase of competitive dyes was more than five times the rate of increase in textile consumption in the United States, the principal basis for demand of dyes. Obviously, the ASP system has permitted foreign-produced dyes to enter the United States market at a rate many times greater than the increase in demand for dyes. These facts refute conclusively any notion that the ASP system is unfair in its operation on imports.

V. FOREIGN DYE PRODUCERS HAVE A DECISIVE COMPETITIVE ADVANTAGE AGAINST U.S.-PRODUCED DYES AND PIGMENTS AS SHOWN BY THE STEADILY INCREASING DEFICIT IN THE U.S. BALANCE OF TRADE IN DYES AND PIGMENTS, AND BY THE SMALL AND DECLINING SHARE OF WORLD EXPORTS IN THESE PRODUCTS ACCOUNTED FOR BY THE UNITED STATES

The reason for the existence of the ASP system of customs valuation is the dominant competitive power of the European producers and of Japan in trade in batch-processed, labor-intensive synthetic organic chemicals, epitomized by dyes and pigments. The United States competes with European and Japanese dyes and pigments in its home market and in world export markets. A study of the trends of U.S. imports, exports, and balance of trade, and of our share of the world export market, will demonstrate the dominance of the foreign producers.

For example, there has been a continuous and growing deficit in the U.S. balance of trade in synthetic organic dyes and pigments throughout the past decade. Compared with the average annual trade balance for the years 1958–1960, the United States has experienced a trade deficit which by 1969 had increased in size by nearly 10,000%. Our exports nearly balanced our imports during the base period, but by 1969 U.S. imports, valued f.a.s. U.S. port, were nearly four times the value of U.S. exports.

TABLE 4.—U.S. FOREIGN TRADE IN SYNTHETIC ORGANIC DYES, PIGMENTS, AND LAKES AND TONERS (SIC 28152, 28153)

[In millions of dollars]

	Imports, f.a.s. U.S. port	Exports, f.o.b. plant	Balance of trade
Average 1958–60	$19.4	$18.6	−$0.8
1963	31.3	26.6	−4.7
1966	64.0	31.2	−32.8
1967	61.7	28.5	−33.2
1968	86.0	31.7	−54.3
1969	107.8	29.5	−78.3
Percent change, average 1958–60 to 1969	+455.7	+58.6	−9687.5

Source: Trade Relations Council of the United States, Inc., U.S. Department of Commerce, Bureau of the Census, FT 210 and FT 610 for 1968: U.S. Foreign Trade Statistics Division.

As the foreign producers have strongly increased their penetration of the United States market, our position in the world export trade in dyes and pigments has deteriorated. In 1966, the United States supplied 7.4% of the exports of dyes and pigments by the world's developed countries. Japan then held last place at 3.9%, while the producers in Western Europe accounted for 88.7% of the total. By 1969, the United States had been relegated to last place, supplying only 5.5% of the exports of dyes and pigments by the developed countries. Japan moved ahead of the U.S. industry. The producers in Western Europe continued to hold in excess of 88%. Our loss of position was almost entirely for the benefit of Japan.

The remarkable stability in the shares of the world export market accounted for by the European producers is, in our opinion, evidence of the continued cooperation of the European producers, through the working arrangements previously established through the European dye cartel. The pertinent data are set forth in the following table.

TABLE 5.—WORLD EXPORTS OF DYES AND PIGMENTS (SITC 531)

[In metric tons]

Exporting country	1966	Percent of whole	1967	Percent of whole	1968	Percent of whole	6 months, 1969	Percent of whole
West Germany	51,880	38.5	55,180	39.6	61,423	39.3	35,225	40.5
Other EEC	16,524	12.3	16,656	12.0	18,375	11.7	10,077	11.6
Total		50.8		51.6		51.0		52.1
Switzerland	28,238	21.0	27,089	19.4	30,553	19.5	17,129	19.7
United Kingdom	21,355	15.9	22,388	16.1	24,706	15.8	13,248	15.2
Other EFTA	1,304	1.0	1,394	1.0	1,826	1.2	1,058	1.2
Total		37.9		36.5		36.5		36.1
Japan	5,275	3.9	6,991	5.0	8,975	5.7	4,973	5.7
United States	9,966	7.4	8,771	6.3	10,562	6.8	4,775	5.5
Total	134,542	100.0	139,312	100.0	156,420	100.0	87,022	100.0

Source: OECD, Commodity Trade: Exports—annual volumes 1966–68; January–June 1969.

We believe that this Committee should carefully consider the dominant position already held by the European producers, and the growing strength of the Japanese dye and pigment industry, in the world export market. It is obvious that the United States industry is essentially limited to the United States market for the sale of its production of dyes.

The health of our industry and the maintenance of our work force are dependent upon our continued access to the American market. The data already presented show that under the existing system of ASP duties, the foreign producers are steadily increasing their share of the American market, though not yet at a rate which denies us any access to an increase in sales and employment.

The steady increase in the balance of trade deficit of the United States in synthetic organic dyes and pigments, and the reduction which is occurring in our very small share of the world export market should indicate to the Committee that there are no compelling reasons for accommodating the insistent demand of the foreign producers for repeal of ASP. It is not a case where the foreigners are being shut out of our market; indeed, it is abundantly evident that they have succeeded with a dominant competitive power of virtually shutting us out of the world export market while they enjoy a large and growing position in our market.

VI. THE REPEAL OF ASP AND THE SUBSTITUTION OF THE CONVERTED RATES BASED UPON THE FOREIGN SELLING PRICE WOULD EFFECT A TOTAL REDUCTION IN DUTIES EQUIVALENT TO 66% OF THE PRE-KENNEDY ROUND LEVEL, AND GIVE THE CARTEL-LIKE EUROPEAN INDUSTRY THE MEANS FOR MAKING FURTHER REDUCTIONS IN THE ACTUAL DUTIES COLLECTED THROUGH CONCERTED PRICING ACTIONS

The European industry operates through a cartel-like arrangement. On July 24, 1956, the Commission of the European Economic Commission conducted an investigation and entered its decree finding the European producers of dyes guilty of violating the antitrust provisions of the Treaty of Rome by repeatedly fixing prices for dyes sold in the Common Market through concerted action. The European producers are relatively free from competition from American producers in the European market. Where they have virtually complete domination of a market, it is their tendency to raise prices in concert to the detriment of the consumers served by that market.

The antitrust article of the Treaty of Rome, Article 85, applies only to practices which affect trade within the Common Market, and specifically exempts practices which affect the export trade of EEC producers. Consequently, the companies which have been found guilty of anticompetitive concerted action within the EEC are free to carry out such activities in their exports to the United States without fear of any prohibition by the EEC Commission.

I understand that the decree of the EEC Commisison is being supplied to the Committee by another witness. If this does not occur, I shall be happy to submit a copy of the decree for the Committee for inclusion in its record of these hearings.

If the independent dye producers in the United States are driven out of business by the tactics of the European industry, which the ASP has been an effective shield to prevent, you may expect anticompetitive activities in the American market similar to those which have been found by the Commission to be carried out in Europe.

The principal way in which the ASP serves as a shield against such possibilities is that the foreign producers who have the means and disposition to agree on prices are unable to affect the determination of U.S. import duties since they are based on the selling price of the U.S.-produced product rather than the selling price of the foreign-produced product. The repeal of ASP requested by the Administration would base import duties on the selling price of the foreign product, which, of course, is under control of the foreign producer, and which he is in a position to set by way of concerted action with the other members of the European cartel.

Through their U.S. affiliates, the European producers (Hoechst, Bayer, Badische, and Casella of Germany; Ciba, Sandoz, and Geigy of Switzerland; and I.C.I. of England) are in a position quickly to dominate the American market through the U.S. production and distribution activities of their affiliates and their own foreign production for the American market—if they gain this type of leverage over the determination of U.S. duties applicable to their exports to the United States.

According to the Tariff Commission, through the combination of their U.S. affiliates and their export to the United States from Europe, the foreign producers had captured fully one-third of the American market by 1965.[6] According to our estimates, the European producers have now increased this market share to 40%. This is an especially tragic aspect of the tunnel vision displayed by the Special Representative for Trade Negotiations in his testimony before the Ways and Means Committee in which he stated as a reason for eliminating ASP that "when there are a few producers, * * * any ability to set or vary prices becomes under the ASP system the further ability to determine a product's level of tariff protection. This, in turn, can further restrain competition, both domestically and internationally." [7]

The Special Representative did not supply any documentation for that charge. He recognizes the principle that the ability to determine a product's level of tariff protection can be anticompetitive, but ignores entirely the fact that this will be the essence of the power handed to foreign producers if ASP is repealed. Seemingly, he is totally unaware of the past cartel practices of the European industry or the recent conviction of the European producers by the EEC Commission precisely of the practice of establishing prices through a concert of action.

Perhaps the Special Representative is saying that as between the potential which he cannot document of price fixing in the American market with its many domestic and foreign suppliers competing for the sale of dyes, he prefers to vest the power to determine a product's own level of tariff protection upon the foreign industry, convicted of cartel-type price fixing, rather than to leave the ASP system in existence where it has stood the test of time for more than 40 years without demonstrated harm to the American consumer.

In addition to conferring upon the foreign producers the direct power to influence the amount of U.S. duties collected by basing dutiable value upon their selling prices, the repeal of the ASP entails an increase in the reduction of duties on dyes by an additional 16%.

Taking the converted rates based upon the foreign selling price provided for in the supplemental chemical agreement and utilizing our information concern-

[6] U.S. Tariff Commission, Report to the Special Representative for Trade Negotiations, July 25, 1966, p. 19.

[7] Statement by Carl J. Gilbert before the Committee on Ways and Means on Title IV of H.R. 14870, May 14, 1970, p. 6.

ing American and foreign selling prices for a large number of commercially important dyes, we made a comparison of the duties collectible under ASP, at the pre-Kennedy Round rates, and under the separate agreement at the foreign selling price converted rates. We found that the average reduction in duty for dyes would amount to 66%, in contrast to the 50% reduction in the ASP duties which is already in the course of being carried out.

We reemphasize the point that the impact on domestic market prices which would result from the increased 16% cut which is inherent in the repeal of ASP would eliminate entirely our thin profit margin and force our company and other independent dye producers into a loss position. This would bring an end to the growth of employment in dye manufacturing in the United States and within a short period of time result in an obsolute loss of a large proportion of the jobs in the domestic industry.

To approve such a result with the certain knowledge that the principal beneficiaries will be members of the foreign dye cartel, which have been adjudged guilty of monopolistic practices in their own back yard, and which already hold 88% of world trade in dyes, seems unthinkable to us. If you understand these facts, we cannot believe that you would willingly sacrifice the American industry and its workers to accommodate the avaricious demands of the foreign industry.

CONCLUSION

The foreign chemical industry and other advocates of ASP repeal base their case on the allegation that American producers can cut off imports by arbitrarily raising the duty on a product by raising the price. This argument conveniently ignores the reality of the market place where a price increase of $1 per pound would be required to raise the duty by 20¢ and would itself make the U.S. product noncompetitive, if it were not already so. It also ignores the operation in the United States of strong antitrust laws and the vigilant attention of the U.S. Department of Justice to prevent price fixing.

The real crux of the matter is that the members of the foreign cartels wish to secure *for themselves* the power *to reduce* U.S. duties under a system in which dutiable value would be based upon their foreign export price. If ASP is repealed, the foreign cartels will be able to carry on a campaign under which for each 30¢ reduction in their foreign export price, the United States Government would contribute a further reduction in landed costs of 9¢.

By every test in the domain of results by which a liberal trade policy can be judged, there is no need to repeal ASP and thus sacrifice the independent American dyestuff industry: The growth rate of imports is several times the growth rate of American production. Furthermore, the rising import penetration of the domestic market in dyes is equal to that in textiles, a recognized symbol of excessive import competition. The manufacture of dyes is, moreover, equally or more labor-intensive than the manufacture of textiles, the industry which the dye manufacturers exist primarily to serve and with whose fate the welfare of the dye industry is inextricably bound.

The decision before this Committee, therefore, turns essentially upon the concepts of justice, equity, and fair play. Our past trade agreement reductions in rates of duty have unquestionably granted equitable access to the foreign producers to the U.S. market. On the other hand, the sole basis for the health and welfare of the U.S. dye industry and its employees lies in continued access for U.S.-produced dyes to the U.S. market. This access will be destroyed by the repeal of ASP.

In the name of justice and fair play, therefore, we call upon this Committee and the Congress to reject the proposal to repeal ASP as to dyes, pigments, and dye intermediates. We urge you to delete Chapter 4, Title III of H.R. 18970 before you approve the remainder of the bill. As so amended, we would favor enactment of the bill.

Thank you. This concludes my statement.

EXHIBIT 1—AD HOC COMMITTEE OF U.S. DYESTUFF PRODUCERS

American Aniline Products, Inc.,
 Paterson, New Jersey.
Atlantic Chemical Corporation,
 Nutley, New Jersey.
Berncolors-Poughkeepsie, Inc.,
 Poughkeepsie, New York.
Blackman Uhler Chemical Division,

Synalloy Corporation,
Spartanburg, South Carolina.
Fabricolor Manufacturing Corp.,
Paterson, New Jersey.
The Harshaw Chemical Company,
Division of Kewanee Oil Company,
Cleveland, Ohio.
Industrial Dyestuff Company,
East Providence, Rhode Island.
Lakeway Chemicals, Inc.,
Muskegon, Michigan.
Nyanza, Inc.
Lawrence, Massachusetts.
Southern Dyestuff Company,
Division of Martin Marietta Corporation,
Charlotte, North Carolina.
Young Aniline Works Incorporated,
Baltimore, Maryland.

STATEMENT OF CLAUDE RAMSEY, CHAIRMAN, MAN-MADE FIBER PRODUCERS ASSOCIATION, INC.

This Association, on behalf of its members who account for more than 90% of the domestic production of man-made staple fiber, filaments, and filament yarn, strongly supports the enactment of the Trade Act of 1970 (H.R. 18970). Without duplicating the information which we believe will be presented to you by others, we believe we can be of service to the Committee by setting forth major changes in the foreign trade position of the domestic man-made fiber textile industry which warrant the enactment of Title II of the proposed legislation. We believe that the provisions of Title II of the proposed Trade Act of 1970 will provide strong motivation on the part of textile trading nations to achieve order in international textile trade through voluntary agreements.

I. SINCE THE ENACTMENT OF THE TRADE EXPANSION ACT OF 1962, THE TEXTILE INDUSTRIES OF THE UNITED STATES HAVE CHANGED FROM A COTTON TO A MAN-MADE FIBER BASE

When this Committee considered the Trade Expansion Act of 1962, it was aware that the textile industries of the United States and of the world were primarily based on the use of cotton. Further, under President Kennedy's leadership, the principal cotton textile trading nations had entered into the international cotton textile arrangement which provided for comprehensive regulation of cotton textile imports into the United States and other major recipient countries. It was unnecessary, therefore, for the Committee to give explicit attention to the situation of the domestic textile industry in the context of the 1962 legislation.

Subsequent to the enactment of the Trade Expansion Act of 1962, the world trading community prepared for and carried out the Kennedy Round of trade agreement negotiations. The concept of a cotton-oriented domestic and world textile industry dominated the thinking of the trade negotiators. Substantial reductions in duty were made on cotton textiles in the context of bargaining to secure the extension of the life of the Long-Term Cotton Textile Arrangement. Virtually no reductions in duty were made on wool textiles, but man-made fiber textile articles sustained deep reductions in duty. Man-made fibers themselves were reduced by 50% with the exception of a single classification.

While negotiations proceeded on this basis, the textile industries of the United States and of the world were in fact undergoing a major revolution from the point of view of fiber utilization.

By 1969, consumption of man-made fibers dominated textile manufacturing in the United States, accounting for 53% of domestic textile fiber consumption; while cotton was at 42%, and wool at less than 5%.[1]

In the light of these changes in the share of U.S. consumption accounted for by man-made fibers, it has become evident that our nation's approach to the regulation of textile imports geared exclusively to cotton textile articles through the Long-Term Cotton Textile Arrangement is no longer adequate.

[1] See Exhibit I.

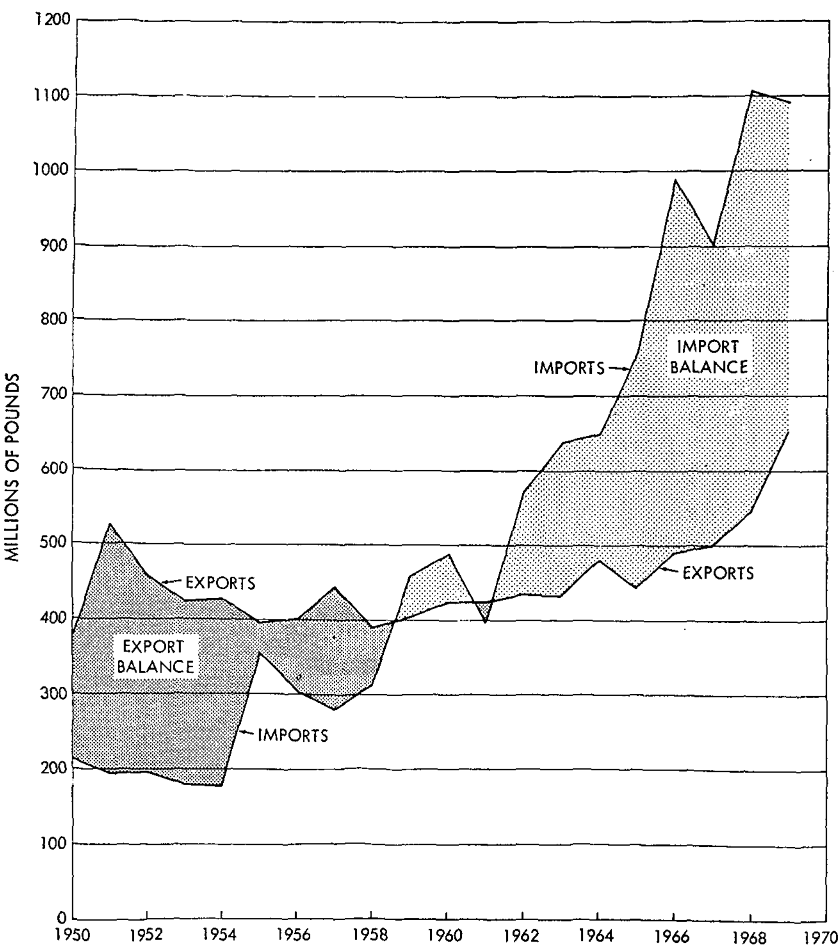
II. SINCE THE ENACTMENT OF THE TRADE EXPANSION ACT OF 1962, OUR BALANCE OF TRADE IN TEXTILE ARTICLES HAS SHIFTED FROM A CONDITION OF EQUILIBRIUM TO A LARGE AND RAPIDLY GROWING DEFICIT

The textile market in the United States is interdependent from a fiber point of view. Specifically, cotton and man-made fibers compete directly with each other in a broad range of textile articles that were once traditionally made of cotton. Similarly, man-made fibers and wool compete with each other directly across virtually the entire product range of articles once traditionally made of wool. Man-made fibers thus form the link which causes the textile market to be competitively interdependent from a fiber point of view.

With this as background, we invite attention to Chart I which depicts the dramatic shift in the foreign trade balance of textile articles during the period 1950 through 1969.

CHART 1

U.S. Imports, Exports, and Balance of Trade in Cotton, Wool, and Man-Made Fiber Textiles



SOURCE: EXHIBIT II

The enactment of the Trade Expansion Act of 1962 and the well-publicized liberal attitude of the United States towards the Kennedy Round of trade agreement negotiations served to stimulate a dramatic increase in imports which so far eclipsed the rate of increase in exports as to create the massive and growing import deficit shown on Chart I.

This is such a major change in the position of the United States textile industry in world trade that it merits your Committee's favorable consideration of the pending legislation.

This change in position is not minor; it is major. The inability of our remaining tariff rates to effect sufficient regulation to preserve the U.S. market from disruption by excessive imports is manifest.

III. SINCE 1964 WHEN NEGOTIATIONS IN THE KENNEDY ROUND COMMENCED, THERE HAS BEEN NO GROWTH IN U.S. EXPORTS OF TEXTILE ARTICLES, ALL OF THE INCREASE IN WORLD EXPORTS BEING SUPPLIED BY JAPAN AND OTHER NATIONS

The rapid increase in U.S. imports of textile articles in recent years is evidence of a steady weakening of the competitive position of the U.S. textile industry. This fact is *also* manifested by the experience of the United States in the world export market for textile articles. During the most recent five-year period for which data are available, 1964–1968, the value of U.S. exports increased by only 3% while those of all industrial nations increased by 33%, with Japan registering an increase of 41%. The United States textile industry is denied significantly increased access to the world market for its production of textiles. This means that the domestic market provides the sole opportunity for the U.S. industry to maintain or even expand its employment.

It is for this reason that effective regulation of imports of textile articles is crucially important if the textile industry, the nation's largest employer among major manufacturing industries, is to be able to maintain its present employment and provide increased employment opportunities for the nation's growing labor force.

IV. SINCE THE ENACTMENT OF THE TRADE EXPANSION ACT OF 1962, THE MAN-MADE FIBER PRODUCING INDUSTRIES OF JAPAN AND EUROPE HAVE SIGNIFICANTLY BOOSTED THEIR PRODUCTION OF MAN-MADE FIBERS FOR EXPORT, INCLUDING EXPORT TO THE UNITED STATES, THE MOST OPEN MARKET IN THE WORLD

There are two basic classes of man-made fibers: cellulosic (such as rayon) and noncellulosic (such as nylon, acrylic, and polyester). Production in each class consists of staple fiber which is spun into yarn, and filament yarn which, like spun yarn, is woven and knitted into fabric for use in the production of apparel and other finished textile products.

Between 1962 and 1968, Japan and the countries of Western Europe increased the proportion of their production of staple and filament yarn exported to the world.

For example, in 1968 Japan's production in excess of home consumption of cellulosic staple fiber was equivalent to 20% of her total production, while in Europe, production of cellulosic staple surplus to home consumption needs had risen to 31% of total production. In the case of cellulosic filament yarn, producers in both Japan and Western Europe had 17% of their total production in excess of home market needs. The situation is only slightly less dramatic in the case of noncellulosic staple and filament yarn. In 1968, 18% of Japan's production of both products was surplus to her home market needs, compared with approximately 11% of Europe's production.[2]

The impact of the use of U.S. productive capacity almost exclusively to supply our domestic market, compared with the use of foreign capacity in large measure to supply the export market, is illustrated by the fact that in 1968 the United States accounted for only 6% of exports of man-made fibers to non-Communist countries, compared with the Common Market countries' share of 51%, the EFTA countries' share of 23%, and Japan's share of 16%. The less-developed nations accounted for only 2%.[3]

In this context, the present situation of the man-made fiber producing industry has ominous implications. With the textile industry of the United States now primarily based upon the use of man-made fiber, the availability of man-made

[2] See Exhibit III.
[3] See Exhibit IV.

fibers in amounts adequate to meet the needs of the citizens of this country is of fundamental strategic importance.

A sword of Damocles hangs over the domestic man-made fiber industry in the form of the large surplus production capacity for export which exists in other nations.

The United States has the largest and most open of the world export markets and can expect to be subjected to continuing pressure from man-made fiber imports from both Europe and Japan.

V. SINCE THE ENACTMENT OF THE TRADE EXPANSION ACT OF 1962, IMPORTS OF ALL MAN-MADE FIBER TEXTILE ARTICLES HAVE INCREASED STRONGLY, AND THE COMPOSITION OF IMPORTS HAS SHIFTED HEAVILY INTO INTERMEDIATE AND FINISHED MAN-MADE FIBER TEXTILE PRODUCTS

When man-made fiber textile articles are imported in the form of the basic man-made fiber itself, such as staple fiber and tow, the market impact is registered solely on the domestic producers of such fiber. When the imports are received in the form of yarn or fabric, the impact is registered on both the textile and knitting mills which produce the fabric and on the man-made fiber plants which produce the fibers spun into yarn and the filament yarn used in knitting and weaving.

When imports are received in the form of apparel and other finished textile articles, the market impact is felt by the apparel plants which produce the like articles of finished textile products, and on the textile and knitting mills which produce the fabric, and the man-made fiber plants which produce the staple fiber and yarn used in the fabric. The market impact is most extensive when the composition of man-made fiber textile imports is weighted toward the finished textile products.

Since the enactment of the Trade Expansion Act of 1962, the composition of imports of man-made fiber textile articles has shifted precisely in the direction of the heaviest weight being accounted for by intermediate and finished textile products. At the same time, imports have increased strongly in the basic fiber. The result has been that *all sectors of the man-made fiber textile industry have sustained increased and heavy pressure from imports, while the man-made fiber producers have experienced the combined effect of rising imports of the basic fiber as well as the fiber content of the intermediate and finished products which displace the production of the domestic customers of the man-made fiber plants.*

Thus, imports of the basic fiber increased from 78 million pounds in 1962 to 179 million pounds in 1969, a 129% rise, while imports of the intermediate and finished products increased from a fiber equivalent weight of 40.2 million pounds in 1962 to 294.1 million pounds in 1969, a 632% increase.[4]

Imports of raw cotton were kept under strict control by mandatory import quotas designed to protect our price-support program on cotton. Imports of raw cotton amounted to less than 1% of domestic consumption of cotton for the years 1968 and 1969 and averaged less than 2% for the entire decade of the 1960s.[4]

As compared with 1961, whose data represented those for the last full year available to this Committee at the time of its consideration of the Trade Expansion Act of 1962, imports of all man-made fiber textiles have doubled their penetration of the American market, rising from 4.5% to 9.1% of domestic consumption.[4]

Our nation is correct in protecting its domestic sources of supply for raw fiber through the imposition of absolute import quotas on raw cotton, to encourage the continued production of raw cotton under our domestic price-support program. Our nation is remiss, however, in not having a policy to protect its domestic source of man-made fiber, which is now of greater importance to the operations of our domestic textile industry and to the fundamental objective of clothing our people than either cotton or wool.

Foreign textile producers have chosen to upgrade their man-made fiber production by advancing it in condition to the form of yarn, fabric, and apparel for export to the United States to support increased employment in the textile industries of their countries and to maximize their foreign trade earnings. The consequence of this is that the impact of man-made fiber textile imports has spread throughout our entire textile industry complex and now has a significant effect on employment in all sectors of the textile industry.

These events represent changed circumstances which warrant positive import regulation of man-made fiber textile articles.

[4] See Exhibit 1.

VI. SINCE THE ENACTMENT OF THE TRADE EXPANSION ACT OF 1962, THE MAJOR PART OF EMPLOYMENT IN THE U.S. TEXTILE MILL PRODUCTS INDUSTRY HAS BECOME DEPENDENT UPON THE PRODUCTION AND USE OF MAN-MADE FIBERS

The consumption of textile fibers in the United States during the past two decades has shifted dramatically from primarily cotton to primarily man-made fiber. During the first five years of the decade of the 1950s, cotton accounted for 68% of per capita textile fiber consumption, and man-made fiber only 23%. In 1969, these ratios were dramatically changed, with cotton accounting for 41%, and man-made fiber for 55% of per capita consumption of textile fibers.[5]

An important consequence of this shift is that today the number of workers employed in man-made fiber producing plants and in the textile mills which consume principally man-made fibers exceeds the employment in establishments primarily consuming cotton and wool.

The man-made fiber textile industry complex in the United States in 1967 consisted of 4,099 establishments employing 540.2 thousand workers engaged either in the production of man-made fibers or in the production of textile articles in which man-made fibers were the principal textile fiber used.[6]

As indicated in a recent study of labor in the textile and apparel industries by the Bureau of Labor Statistics, the textile industry complex, of which the man-made fiber sector is now the major part, accounts for a sizable proportion of factory employment in numerous small and medium-size communities.[7]

Nearly 70% of this employment is located in the South and in small communities. Some 61% of textile workers are employed in nonmetropolitan areas.[8] While the apparel sector of the industry is more urban than textile mill products or man-made fiber production, apparel manufacture accounted for more than 15% of all factory jobs in the nonmetropolitan areas of six States.[9]

The proportion of nonwhite employment in the textile industry doubled between 1962 and 1968, exceeding the gain for such employment in manufacturing as a whole. This upward trend continued into 1969 until interrupted by the drop in employment which commenced in the latter part of the year and which has extended into 1970. The apparel industry, in particular, employs large numbers of workers of minority groups. The proportion of such employment in apparel is greater than in manufacturing generally.[10]

The textile industry is a major source of factory employment for women. It is well-known that women are less mobile in their employment than men, so that the loss of employment at a particular plant presents a more difficult problem for adjustment for women than for men. Because the median age of employment in textiles is 41 years and in apparel 42 years, displaced workers in these industries have relatively a greater problem in adjustment than do younger workers as, for example, in manufacturing generally.[11]

The loss of jobs being experienced throughout the textile industry heavily affects the most dynamic sector of the industry—that concerned with the production and use of man-made fiber textiles. These lost jobs represent an exceptional loss to the nation because of the characteristics of the work force in the textile industry.

Between August 1966 and August 1970, employment in the textile and apparel industry complex declined by 43,500 jobs.[12] A loss of employment of this magnitude in such an important major industry is a new fact reflecting a change of

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[5] See Exhibit V.

[6] Excluding finishing plants which do not themselves consume fiber but, rather, process fabric already woven in other establishments, there are 26 industries defined at the 4-digit level of the Standard Industrial Classification included in the major textile mill products industry group, according to the 1967 Census of Manufactures. Aggregate employment in these 26 industries in 1967 was 852.7 thousand workers. Of these, 13 industry groups comprising 4,038 establishments employing 451.4 thousand workers accounting for $9.4 billion in value of shipments in 1967, utilized man-made fibers as the principal textile fiber by weight or by value in their manufacturing operations. In addition, the 61 establishments which produced the man-made fibers consumed by those 13 industries in 1967 employed 88.8 thousand workers. See Exhibit VI.

[7] U.S. Department of Labor, Bureau of Labor Statistics, Bulletin No. 1635 (August 1969), p. 1.

[8] U.S. Department of Labor, Bureau of Labor Statistics, Bulletin No. 1635 (August 1969), p. 3.

[9] Pennsylvania, Missouri, Georgia, Tennessee, Alabama, and Mississippi. Ibid., p. 4.

[10] Ibid., p. 6.

[11] U.S. Department of Labor, Bureau of Labor Statistics, Bulletin No. 1635 (August 1969), p. 6.

[12] U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings Statistics for the United States 1909–68 (Bulletin No. 1312–6, August 1968); and Employment and Earnings, September 1970.

considerable importance in comparison with the situation that was known to this Committee when it considered the Trade Expansion Act of 1962.

CONCLUSION

These points provide the Committee with a compelling basis for expressing in legislation our nation's public policy in regard to the regulation of imports of textile articles. Title II of the proposed Trade Act of 1970 accomplishes this in a manner consistent with continued, reasonable, and orderly access for foreign-produced textile articles to the United States market. The bill would provide such access to a degree compatible with the preservation of the standard of living and employment opportunities of the workers in the textile industry and of the economic health of the hundreds of communities in which they live.

EXHIBIT I.—IMPORTS' SHARE OF THE DOMESTIC MARKET FOR TEXTILE ARTICLES, 1950–69

[In millions of pounds]

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
Cotton:										
Imports:										
Raw cotton	94.5	39.5	97.5	72.5	75.0	68.5	95.5	70.5	68.5	72.5
Cotton textiles	40.1	33.9	32.4	44.5	48.5	87.0	108.0	95.6	112.2	172.9
Domestic consumption	4,464.1	4,513.9	4,165.4	4,209.4	3,885.6	4,206.6	4,216.0	3,878.0	3,729.0	4,271.0
Ratio of imports to domestic consumption (percent):										
Imports of cotton	2.1	.9	2.3	1.7	1.9	1.6	2.3	1.8	1.8	1.7
Imports of cotton textiles	.9	.8	.8	1.1	1.2	2.1	2.6	2.5	3.0	4.0
Aggregate imports	3.0	1.7	3.1	2.8	3.1	3.7	4.9	4.3	4.8	5.7
Manmade fiber textiles: [1]										
Imports: [2]										
Staple tow and waste	99.9	94.5	73.1	69.2	60.6	175.3	95.0	89.0	96.6	131.6
Manmade fiber textile products	10.8	9.4	3.7	5.8	7.6	9.8	10.6	11.6	15.8	38.5
Domestic consumption	1,420.0	1,360.1	1,357.5	1,385.6	1,362.2	1,744.8	1,549.9	1,607.7	1,582.8	1,850.2
Ratio of imports to domestic consumption (percent):										
Imports of staple fiber	7.0	6.9	5.4	5.0	4.4	10.0	6.1	5.5	6.1	7.1
Imports of textile products	.8	.7	.3	.4	.6	.6	.7	.7	1.0	2.1
Aggregate imports	7.8	7.6	5.7	5.4	5.0	10.6	6.8	6.3	7.1	9.2
Wool textiles:										
Imports	63.8	56.4	88.0	61.9	61.0	81.4	91.1	85.2	90.2	126.9
Domestic consumption	691.1	532.3	548.3	550.8	439.5	558.9	591.3	513.1	478.2	628.4
Ratio of imports to domestic consumption (percent)	9.2	10.6	16.0	11.2	13.9	14.6	15.4	16.6	18.9	20.2
Total, all textile articles:										
Imports	214.6	194.2	197.2	181.4	177.7	353.5	304.7	281.4	314.8	469.9
Domestic consumption [1]	6,575.2	6,406.3	6,071.2	6,145.8	5,687.3	6,510.3	6,357.2	5,998.8	5,790.0	6,749.6
Ratio of imports to domestic consumption	3.3	3.0	3.2	3.0	3.1	5.4	4.8	4.7	5.4	7.0

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Cotton:										
Imports:										
Raw cotton	79.5	79.5	68.5	67.5	59.0	59.0	52.5	100.5	33.0	30.0
Cotton textiles	252.3	188.9	309.8	304.3	300.2	360.7	510.3	443.4	473.8	488.0
Domestic consumption	4,209.9	4,031.2	4,277.5	4,136.7	4,331.4	4,664.5	4,951.3	4,678.0	*4,432.1*	*4,181.2*
Ratio of imports to domestic consumption (percent):										
Imports of cotton	1.9	2.0	1.6	1.6	1.4	1.3	1.1	2.1	0.7	0.7
Imports of cotton textiles	6.0	4.7	7.2	7.4	6.9	7.7	10.3	9.5	10.7	11.7
Aggregate imports	7.9	6.7	8.8	9.0	8.3	10.0	11.4	11.6	11.4	12.4
Manmade fiber textiles:[1]										
Imports:[2]										
Staple tow and waste	69.3	53.6	78.0	116.8	149.3	144.0	196.5	172.2	244.9	179.0
Manmade fiber textile products	36.0	30.0	40.2	64.6	58.9	94.3	139.3	162.9	241.6	294.1
Domestic consumption	1,670.1	1,850.6	2,181.1	2,544.9	2,893.7	3,302.3	3,660.9	3,939.7	4,976.4	5,187.5
Ratio of imports to domestic consumption (percent):										
Imports of staple fiber	4.1	2.9	3.6	6.4	5.2	4.4	5.4	4.4	4.9	3.5
Imports of textile products	2.2	1.6	1.8	2.5	2.0	2.9	3.8	4.1	4.9	5.7
Aggregate imports	6.3	4.5	5.4	7.1	7.2	7.2	9.2	8.5	9.8	9.1
Wool textiles:										
Imports	132.1	127.4	145.6	152.5	141.1	156.1	142.9	121.7	146.0	129.4
Domestic consumption	607.4	603.9	644.7	633.4	565.4	600.4	560.7	479.7	515.0	476.5
Ratio of imoorts to domestic consumption	21.7	21.1	22.6	24.1	25.0	26.0	25.5	25.4	28.3	27.2
Total, all textile articles:										
Imports	489.7	399.9	573.6	638.2	649.5	755.1	989.0	900.2	1,106.3	1,090.5
Domestic consumption[1]	6,487.4	6,485.7	7,103.3	7,315.0	7,790.5	8,567.2	9,172.9	9,097.4	9,923.5	9,845.2
Ratio of imports to domestic consumption	7.5	6.2	8.1	8.7	8.3	8.8	10.8	9.9	11.1	11.1

[1] Excludes glass fiber.
[2] Includes manmade fiber primary products.

Source: "Textile Organon," March 1962, October 1969, 1970; U.S. Department of Agriculture, "Agricultural Statistics," 1967, 1969.

EXHIBIT II.—U.S. IMPORTS, EXPORTS, AND BALANCE OF TRADE ON COTTON, WOOL, AND MANMADE FIBER TEXTILES

[In millions of pounds]

	U.S. imports	U.S. exports	Balance of trade
1950	214.6	370.9	+156.3
1951	194.2	527.1	+332.9
1952	197.2	458.3	+261.1
1953	181.4	424.6	+243.2
1954	177.7	429.5	+251.8
1955	353.5	396.4	+42.9
1956	304.7	401.4	+96.7
1957	281.4	443.6	+162.2
1958	314.8	391.8	+77.0
1959	469.9	406.5	−63.4
1960	489.7	427.5	−62.2
1961	399.9	426.8	+26.9
1962	573.6	436.9	−136.7
1963	638.2	433.4	−204.8
1964	649.5	481.2	−168.3
1965	755.1	443.6	−311.5
1966	989.0	491.3	−497.7
1967	900.2	500.2	−399.9
1968	1,106.3	547.3	−559.0
1969	1,090.5	652.6	−437.9

Note: Data exclude textile glass fiber and include imports and exports of rayon and acetate and noncellulosic fiber.

Source: "Textile Organon," March 1962 and February and March 1970.

EXHIBIT III.—CONSUMPTION AS A PERCENTAGE OF PRODUCTION OF VARIOUS TYPES OF FIBERS

	Cellulosic fiber				Noncellulosic fiber			
	Staple		Filament		Staple		Filament	
	1962	1968	1962	1968	1962	1968	1962	1968
OECD Europe	70.3	69.2	82.2	82.9	90.1	88.5	[1] 90.1	[1] 88.5
United States	108.9	113.2	92.1	98.7	94.8	96.7	91.0	93.6
Canada	111.1	96.0	104.3	124.9	110.9	170.5	106.7	111.1
Japan	83.8	79.5	85.4	83.3	95.8	81.7	94.0	81.5

[1] Polyamide and polyester only.

Source: OECD, "Man-Made Fibres," Paris, 1969.

EXHIBIT IV.—NUMBER AND PRODUCTIVE CAPACITY OF MANMADE FIBER PRODUCING PLANTS IN THE WORLD, 1969–70; PRODUCTION AND EXPORTS, 1968

[Number of plants in units; other data in millions of pounds]

	Number of plants as of June 1969	Productive capacity as of December 1970: Pounds	Productive capacity as of December 1970: Percent of non-communist capacity	Productive capacity as of December 1970: Percent of total capacity	1968 consumption [1]: Pounds	1968 consumption [1]: Percent of total	1968 production: Pounds	1968 production: Percent of total	1968 exports: Pounds	1968 exports: Percent of total
Developed countries	611	18,637	91.9	78.6	11,304	89.9	12,749	79.4	3,209	97.9
United States	166	[2] 7,115	35.1	30.0	4,861	38.7	4,782	29.8	197	6.0
EEC	172	4,699	23.2	19.8	2,301	18.3	3,136	19.5	1,660	50.6
EFTA	89	2,376	11.7	10.0	1,447	11.5	1,735	10.8	767	23.4
Japan	110	3,596	17.7	15.2	1,968	15.7	2,591	16.1	535	16.3
Developing countries	206	1,632	8.1	6.9	1,190	9.5	923	5.7	70	2.1
Latin America	114	798	3.9	3.4	525	4.2	455	2.8	10	.3
Africa	6	47	.2	.2	116	.9	26	.2	2	.1
Asia (except Japan)	79	764	3.8	3.2	475	3.8	425	2.6	46	1.4
Middle East	7	78	.4	3.3	74	.6	46	.3	12	.4
Total		20,270								
Communist bloc countries	164	3,442		14.5	(3)		2,394	14.9	(3)	
Russia	69	1,718		7.2	(3)		1,221	7.6	(3)	
Red China	28	116		.5	(3)		89	.6	(3)	
World total	981	23,712		100.0	[4] 12,570	100.0	16,066	100.0	[4] 3,279	100.0

[1] Production plus imports less exports.
[2] As of July 1970.
[3] Not available.
[4] Excludes Communist bloc nations, except Cuba.

Source: "Textile Organon", June 1969.

EXHIBIT V.—PER CAPITA CONSUMPTION OF TEXTILE FIBERS IN THE UNITED STATES, 1950-69

Period	Population (millions)	Per capita consumption (pounds) Cotton	Manmade fibers	Wool	Total
1950-54	157.6	26.9	9.0	3.8	39.7
1955-59	171.9	23.6	10.3	3.2	37.1
1960-64	186.5	22.5	12.8	3.3	38.6
1965-69	199.0	23.0	22.8	2.7	48.5
1969	203.2	20.6	27.8	2.3	50.7

Source: "Textile Organon," March 1970.

EXHIBIT VI.—U.S. INDUSTRIES BASED PRIMARILY UPON THE USE OF MANMADE FIBERS, 1967

[Number of establishments in units; employment in thousands; other data in millions]

						Total fiber consumed									
						Cotton		Wool		Manmade fiber		Total		Percent manmade	
SIC	Name	Number of establishments	Total employment	Value of shipments	Total cost of materials	Pounds	Value	Pounds	Value	Pounds	Value	Pounds	Value	*Pounds*	*Value*
2211	Weaving mills, cotton	394	203.5	$3,346.1	$1,770.0	3,115.7	$788.5	(1)	(1)	248.1	$143.1	3,412.9	$940.0	7.3	15.2
2221	Weaving mills, synthetics	395	108.2	2,280.2	1,360.3	280.0	80.1	23.8	$21.3	841.7	557.6	1,281.6	737.6	65.7	75.6
2231	Weaving and finishing mills, wool	310	41.8	1,091.6	657.7	(1)	(1)	204.2	233.1	21.0	12.5	250.7	255.9	8.4	4.9
2241	Narrow fabric mills	383	25.2	433.1	227.2	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
2251	Women's hosiery, except socks	359	58.0	839.1	430.4	(3)	(3)	(1)	(1)	57.5	120.1	57.5+	125.3+	[6] 100.0	95.8
2252	Hosiery, n.e.c.	444	38.0	508.6	290.2	45.0	38.6	(3)	(3)	49.6	63.3	94.6+	141.3	52.4	44.8
2253	Knit outerwear mills	1,168	73.6	1,269.8	672.8	71.2	50.6	29.0	73.9	86.5	140.3	186.7	264.8	46.3	53.0
2254	Knit underwear mills	113	30.7	445.3	251.8	136.8	100.6	(4)	(4)	2.7	4.9	147.3	115.3	1.8	4.2
2256	Knit fabric mills	538	36.1	1,349.3	918.1	155.6	119.2	14.9	25.5	290.7	353.4	461.2	498.1	63.0	70.9
2259	Knitting mills, n.e.c.	63	3.0	39.0	16.5	8.0	4.6	(4)	(4)	(4)	(4)	8.0+	4.6+	>50	>50
2271	Woven carpets and rugs	63	8.7	232.5	132.2	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
2272	Tufted carpets and rugs	245	32.3	1,453.0	1,004.9	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
2279	Carpets and rugs, n.e.c.	79	3.0	90.2	47.0	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
2281	Yarn mills, except wool	373	73.6	1,403.1	854.0	1,027.9	291.2	41.0	36.1	689.3	368.9	1,835.2	720.8	37.6	51.2
2282	Throwing and winding mills	181	18.5	568.0	387.8	(1)	(1)	(1)	(1)	194.8	251.4	210.6	265.3	92.5	94.8
2283	Wool yarn mills	134	14.6	362.3	237.9	(1)	(1)	136.9	146.6	39.5	35.4	184.5	195.1	21.4	18.1
2284	Thread mills	75	11.4	255.4	158.2	41.7	18.4	(1)	(1)	86.5	99.2	128.2	117.6	67.5	84.4
2291	Felt goods	40	4.5	133.6	69.3	(1)	(1)	37.0	12.0	50.7	11.1	87.7	23.1	57.8	48.1
2292	Lace goods	142	5.0	65.7	28.0	3.7	2.8	(1)	(1)	7.0	11.5	10.7	14.3	65.4	80.4
2293	Paddings and upholstery filling	154	6.7	172.2	92.1	323.0	26.9	(1)	(1)	73.9	11.0	396.9	37.9	18.6	29.0
2294	Processed textile waste	138	4.3	88.9	53.3	43.0	2.7	5.7	1.9	55.3	17.4	104.0	22.0	53.2	79.1
2295	Coated fabrics, not rubberized	179	17.9	629.1	376.0	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(4)	(4)
2296	Tire cord and fabric	20	10.1	441.1	354.3	53.5	13.3	(1)	(1)	422.0	304.4	475.5	317.7	88.7	95.8
2297	Scouring and combing plants	69	5.3	96.5	57.6	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
2298	Cordage and twine	165	10.1	187.5	94.6	23.9	8.5	(1)	(1)	43.3	28.3	67.2	36.8	64.4	76.9
2299	Textile goods, n.e.c.	194	8.6	218.6	124.3	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
	Subtotal, industry classifications utilizing man-made fiber and yarn as the principal raw material (in quantity or in value)	4,038	451.4	9,390.3	5,671.3	1,745.5	625.4	151.4	170.7	2,874.9	2,326.9	5,000.7	3,284.7	57.5	70.8
2823 2824	Man-made fibers	61	88.8	2,930.5											
	Total	4,099	540.2												

[1] None.
[2] Not available.
[3] Reported in the total, but not separately.
Not separately reported.

Source: U.S. Department of Commerce, Bureau of the Census, "1967 Census of Manufacturers."

STATEMENT ON BEHALF OF INTERNATIONAL UNION OF ELECTRICAL, RADIO AND MACHINE WORKERS; INTERNATINOAL BROTHERHOOD OF ELECTRICAL WORKERS; INTERNATIONAL ASSOCIATION OF MACHINISTS AND PARTS DIVISION, ELECTRONIC INDUSTRIES ASSOCIATION; DISTRIBUTOR PRODUCTS DIVISION, ELECTRONIC INDUSTRIES ASSOCIATION; AMERICAN LOUDSPEAKER MANUFACTURERS ASSOCIATION

By George Collins, Assistant to the President, IUE; Trade Legislation Coordinator for the Above-Named Unions and Eugene L. Stewart, Special Counsel, World Trade Committee, Parts Division, EIA, October 12, 1970

Imports of consumer electronic products and components have increased so rapidly and penetrated the domestic market so deeply that relief is urgently required. Specific relief must be provided in the pending trade bill if the flight of plants and jobs from the United States to low-wage, offshore areas is to be diminished and the sharply reduced number of jobs still left in the United States protected from further major destruction.

From its peak of 180.2 thousand jobs in October 1966, employment in the domestic industry producing radios and TVs had been reduced to 129.4 thousand jobs in July 1970, a loss of 50.8 thousand jobs, or a 28% drop.[1] In the domestic industry producing electronic components and accessories, employment dropped from 409.8 thousand workers in October 1966 to 347.7 thousand workers in July 1970, a loss of 62.1 thousand jobs, or a 15% drop.

Together these two interdependent domestic industries producing electronic products have suffered a loss of 112.9 thousand jobs between October 1966 and July 1970. By comparison, employment in the combined textile mill products and apparel industries declined by 4%, or 101.4 thousand jobs, between October 1966 and July 1970. The industry producing leather footwear sustained a loss of employment during the same period of 8%, or 18.3 thousand jobs.

Thus, the domestic industries producing radios, TVs, and electronic components, with aggregate employment in July 1970 one-fifth that of textiles, sustained an absolute loss of employment greater than the textile and apparel industries; and the electronic industries, with employment approximately twice as large as the leather footwear industry, suffered an absolute loss of employment seven times as great as that sustained in the footwear industry.

Furthermore, the jobs lost in the electronic industries are higher paying jobs compared with those in textiles and footwear, with average hourly wages in electronics in July 1970 of $2.98 in radios and TVs, and $2.91 in electronic components, compared with $2.43 in textile mill products, $2.38 in apparel, and $2.42 in leather footwear.[2]

The cause of the loss of employment in radios, televisions, and electronic components is in large part due to the rapid rise and deep penetration of the domestic market by imports no less than in the case of the job losses which have occurred in textile and apparel articles and in footwear. Between 1966 and 1969, the value of U.S. imports of consumer electronic products increased by 120%, to $858.2 million. By 1969, the imports' share of the U.S. market for consumer electronic products had risen to the following staggering levels: TV sets, 30.3%; phonographs, 53.9%; radios, 88.0%; and tape recorders, 90.2%.[3]

These imports directly affected the domestic producers of the types of electronic components used in the manufacture of consumer electronic products. In addition, imports of components as components added to the loss by domestic producers of their position in the domestic market.

By 1969, the import penetration of the principal classes of components had captured the following indicated shares of the domestic market: television picture tubes, 30.9%; electron receiving tubes, 47.4%; loudspeakers, 67.1%; resistors, 42.5%; capacitors, 58.1%; and transformers, 87.7%.[4]

Compare these distressing market penetration ratios which afflict consumer electronic product and component production and employment in the United States with those applicable to textile articles and leather footwear in 1969: in

[1] Source of employment data in this statement: U.S. Department of Labor, Bureau of Labor Statistics. *Employment and Earnings Statistics for the United States 1909–68* (Bulletin No. 1312–6, August 1968); and *Employment and Earnings*, September 1970.

[2] U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, September 1970.

[3] Derived from data compiled by the Marketing Services Department, Electronic Industries Association.

[4] Derived from data compiled by Marketing Services Department, Electronic Industries Association.

man-made fiber textiles, 9.1%; in cotton textiles, 12.4%; in wool textiles, 27.2%; and in leather footwear, 28%.[5]

Of all major U.S. manufacturing industries, the consumer electronic products and components industries have been the most severely injured by rapidly rising and deeply penetrating imports. Yet the trade bill provides no relief for workers in these electronic industries. The specific relief granted for the textile and footwear industries in the form of import quotas is required to protect the welfare of the workers in those industries, but similar relief is even more urgently required for the workers in the electronic industries. Simple justice requires that the Congress extend the type of protection which it is affording the textile and footwear industries and their workers to the electronic industries and their workers.

We realize that the statutory imposition of import quotas arouses intense opposition from free-trade groups and the trading partners of the United States. We have given careful consideration to the minimum form of relief required to prevent the destruction of the domestic electronic industries. We support legislation which would provide for import quotas on consumer electronic products and components, such as Senator Hartke's bill, S. 4198, and Senator Cotton's bill, S. 864. The unions and the industries whom we represent strongly endorse the amendment of the trade bill to provide for import quotas and power to the President to negotiate agreements providing for the limitation of imports on electronic products along the lines of the provisions of the Hartke and Cotton bills.

In addition, the domestic industries joining in this statement believe that if the mandatory quota approach is not feasible for electronic products, an increase in the import duty to the statutory rate of 35% ad valorem is the best alternative to such action. Accordingly, the industries concerned recommend that this Committee add a provision to the trade bill which would increase the import duty on consumer electronic products and components to the statutory rate of 35% ad valorem. The text of an amendment appropriate to this end is attached as an exhibit to this statement.

Relief must be provided by specific legislation rather than offered through the time-consuming procedure of the escape clause because of the rate at which U.S. producers of electronic products are shifting their plants abroad. The transfer of these plants to offshore sites is destroying the jobs of American workers in the electronic industries. Once the plants are established abroad, the jobs in the United States are lost forever. The adopion of the Hartke bill, S. 4198 (or alternatively, the increase in duty requested by the industries), would preserve the jobs which remain.

Accordingly, we request that the pending trade bill be amended by the adoption of the substance of the Hartke bill, S. 4198. As an alternative, the industries concerned urge at the very least that the Committee amend the trade bill by increasing the duty on consumer electronic products and components to the statutory level pursuant to the text of the amendment attached as an exhibit to this statement.

As a second exhibit to this statement, we are setting forth a summary of data submitted in greater detail to the Committee on Ways and Means which describes the rapid increase in imports and the rapid penetration of the domestic market by imports of consumer electronic products and componets.

Exhibit 1

TITLE ——, REGULATION OF IMPORTS OF ELECTRONIC PRODUCTS

Section 1. (a) The rate of duty specified in Column 1 for the items listed hereafter is changed by striking out the amount set forth for each such item and inserting in lieu thereof "35% ad val.": 682.25, 684.70, 685.20 through 685.50, 685.80, 686.10, 687.50, and 687.60.

(b) Item 685.60, Tariff Schedules of the United States, is amended to read as follows:

[5] Derived from data in *Textile Organon,* March 1970, and U.S. Department of Agriculture, *Agricultural Statistics*, 1969, for textiles; and derived from data supplied by U.S. Department of Commerce, BDSA, and data published in official U.S. imports statistics by U.S. Department of Commerce, Bureau of the Census, for footwear.

"Item	Articles	Rates of duty 1	Rates of duty 2
	Radio navigational aid apparatus, radar apparatus, and radio remote control apparatus, all the foregoing and parts thereof:		
685.60	Radio remote control apparatus	35 percent ad valorem.	35 percent ad valorem.
685.62	Other	10 percent ad valorem.	Do."

(c) Item 685.90, Tariff Schedules of the United States, is amended to read as follows:

"Item	Articles	Rates of duty 1	Rates of duty 2
	Electrical switches, relays, fuses, lightning arresters, plugs, receptacles, lamp sockets, terminals, terminal strips, junction boxes and other electrical apparatus for making or breaking electrical circuits, for the protection of electrical circuits, or for making connections to or in electrical circuits; switchboards (except telephone switchboards) and control panels; all the foregoing and parts thereof:		
685.90	Electrical switches, relays, fuses, plugs, receptacles, terminals, terminal strips, and connectors designed for use in articles included in items 685.10 through 685.50	35 percent ad valorem.	35 percent ad valorem.
685.92	Other	12 percent ad valorem.	Do.
685.94	If Canadian article and original motor-vehicle equipment (see headnote 2, pt. 6B, schedule 6)	Free."	

(d) Item 678.50, Tariff Schedules of the United States, is amended to read as follows:

"Item	Articles	Rates of duty 1	Rates of duty 2
	Machines not specially provided for, and parts thereof:		
678.50	Garage door openers	35 percent ad valorem.	35 percent ad valorem.
678.52	Other	7 percent ad valorem.	Do.
678.54	If Canadian article and original motor-vehicle equipment (see headnote 2, pt. 6B, schedule 6).	Free."	

(e) Item 423.96, Tariff Schedules of the United States, is amended to read as follows:

"Item	Articles	Rates of duty 1	Rates of duty 2
	Mixtures of 2 or more inorganic compounds:		
	Other:		
423.96	Phosphors suitable for use in the manufacture of television picture tubes.	25 percent ad valorem.	25 percent ad valorem.
423.98	Other	7 percent ad valorem.	Do."

(f) The changes in Column 1 rates specified by this section shall supersede the tariff concessions on such items heretofore granted by the United States in trade agreements. The President, as soon as practicable, shall take such action as he determines to be necessary to modify such trade agreement concessions in accordance with the provisions of this section.

EXHIBIT 2

SUMMARY OF TESTIMONY ON BEHALF OF THE PARTS DIVISION, ELECTRONIC INDUSTRIES ASSOCIATION DISTRIBUTOR PRODUCTS DIVISION, ELECTRONIC INDUSTRIES ASSOCIATION, AMERICAN LOUDSPEAKER MANUFACTURERS ASSOCIATION

By Herbert Rowe

THE DEEP MARKET PENETRATION AND RAPID RISE IN IMPORTS OF ELECTRONIC PRODUCTS HAVE CAUSED A MAJOR LOSS OF EMPLOYMENT IN THE ELECTRONIC PRODUCTS INDUSTRIES

The industries producing radio and television sets, and the types of parts and components used in the assembly of such sets, employed 477,100 workers in July 1970—more than twice the employment in the footwear industry, whose import problems are the specific object of H.R. 18970. Under the impact of electronic product imports, employment in these electronic product industries is falling sharply. From its peak employment in October 1966 of 590 thousand workers, the consumer electronic products and components industries lost 113 thousand jobs by July 1970, greater than the total job loss in the textile and apparel industries, and seven times greater than the job loss in footwear. [*Revised and updated.*]

The crisis in employment in the electronic product industries is caused by imports.

IMPORTS HAVE CAPTURED FROM 30% TO 90% OF THE DOMESTIC MARKET FOR CONSUMER ELECTRONIC PRODUCTS

For the years 1964 through 1967, imports of TVs increased at an average annual rate of 42%, radios 25%, phonographs 25%, and tape recorders 8%, For the years 1968 and 1969, compared with 1967, imports of TVs have increased at an average annual rate of 75%, radios 25%, phonographs 22%, and tape recorders 33%.

The value of imports of these products in the aggregate increased at an average annual rate of 39% during the period 1964 through 1967, which is a pretty stiff rate of increase; between 1967 and 1969, the rate of increase rose to 44%. Market disruption has been immediate and far-reaching. The closing of plants, laying off of workers, and a reduction in hours worked and take-home pay for the lucky workers who survived, has been the result.

Imports of foreign brand name radios and televisions have triggered imports of so-called U.S. brand name sets. In 1958, 10.8 million home-type radio sets were sold in the United States, of which 76% were made in the United States. Of the 24% imported, only 9/10ths of 1% were U.S. brand name imports.

By 1963, the import share of the market had risen to 58%, but the U.S. radio manufacturers were still emphasizing the production of their brand name sets in this country. Only 4.5% of the imported sets were sold under U.S. brand names. Up until that year, the American radio set manufacturers tried to stem the tide of rising imports by opposing tariff cuts on radios.

Meanwhile, one of the industry leaders contracted for the supply of its U.S. brand name sets with a Japanese manufacturer. This changed its market position in the United States; it then had the advantage of Japanese costs and greatly increased leverage on the domestic price of a U.S. brand name radio. Its American competitors were forced to make corresponding moves. Some chose to establish offshore assembly plants.

The effect on the import share of the domestic market was immediate. By 1969, the total imports of radios supplied 88% of the American market, with U.S. brand name imports accounting for 16%. For our purposes, the U.S. market for the sale of loudspeakers, resistors, capacitors, and other electronic parts and components for radios has all but disappeared—wiped out by imports in a single decade!

Now we are witnessing the same distressing spectacle in the largest and strongest part of the domestic consumer electronic products industry, television sets. Imports did not become a factor in the United States market until about 1963. In that year, domestically produced TV sets accounted for 92% of the American market. Of the 8% supplied by imports, U.S. brand name imports accounted for nearly half.

U.S. set makers have moved more quickly than in radios to protect their market position by providing for imports bearing their brand name. By 1969, imports of TV sets accounted for 30% of the U.S. market, and U.S. brand name sets accounted for 41% of total imports. Domestically produced TV set sales were lower than the volume of the preceding two years. The absolute decline in domestic sales of U.S.-assembled sets offers an ominous contrast to the upward surge of imports.

There is no more dramatic story of the destruction of domestic manufacture and jobs for American working men and women than that concerning radios and televisions. The import penetration is deeper than in the basic manufacturing industries on which the Government's attention has thus far been concentrated—steel, textiles, and footwear. Deep and rapid invasion of the American market has occurred in all sectors of consumer electronic products. This is shown in the following table:

TABLE 1.—THE IMPORT SHARE OF THE U.S. MARKET FOR CONSUMER ELECTRONIC PRODUCTS

[In percent]

	1964	1966	1967	1968	1969
Tape recorders	86.4	76.4	82.5	88.2	90.2
Radios	58.4	71.7	74.4	82.6	88.0
Phonographs	31.4	40.1	43.3	49.8	53.9
Televisions	7.3	12.0	14.0	20.5	30.3

Source: Derived from data compiled by Marketing Services Department, Electronic Industries Association.

Notwithstanding the acute peril of the domestic producers of consumer electronic products, the U.S. trade negotiators agreed in the Kennedy Round to a 50% cut in duty on virtually all electronic products. Our foreign competitors, however, emerged from the Kennedy Round with higher duties on consumer electronic products than ours.

Ninety-one percent of the televisions, 72% of the phonographs and sound recording instruments, and 68% of the radios imported into the United States originate in Japan, whose duties on U.S. exports of the same articles are two to three times those which we impose on her exports.

Consumer electronic products are based on relatively mature technology, available freely throughout the world. Labor costs in the manufacture of parts and components, and in the assembly of these into the complete set, are the decisive factor influencing price competition. Japan's capital equipment, technology, and assembly procedures are as good as ours. Her wage rates and working conditions, inferior by our standards, give her producers the cost advantage, and account for her virtually complete domination of the American market for consumer electronic products.

These are well-known facts, well-known to everyone but U.S. trade negotiators, who have in successive trade agreement negotiations cut the heart out of our tariff protection, leaving the American market open to domination by the Japanese without significant restraint.

Even in televisions, where U.S. technology and manufacturing techniques were preëminent and well-established prior to Japanese entry into the market, our exports are but a tiny fraction of those of the Japanese. In radios, our manufacturers have made a determined effort to boost exports, steadily dropping their prices in relation to the Japanese export prices. But the competitive advantage of Japan's low wages is too much. Our average unit prices have dropped from over four times those of the Japanese to about one and a half times the Japanese, but our exports persist at a level less than 3% of Japan's.

IMPORTS HAVE CAPTURED 31 PERCENT OF THE DOMESTIC MARKET FOR TELEVISION PICTURE TUBES

These developments have affected every sector of parts and component manufacture in the United States. Plant capacity for the manufacture of television receiving tubes is more than 50% idle, both black and white and color. The capital investment made to increase color tube capacity to amounts ranging from 10 to 12 million tubes per year has been significantly wasted, as the industry's peak sales were 5.9 million tubes in 1967, dropping to 5.3 million tubes in 1969. Of a combined capacity for black and white and color tubes of 20 million tubes, the domestic producers sold only 9.5 million in 1969. Since then some of the nation's largest picture tube plants have closed.

IMPORTS HAVE CAPTURED 67 PERCENT OF THE DOMESTIC MARKET FOR LOUDSPEAKERS

The destruction of domestic production and employment doesn't end with sets and tubes. No sector of electronic parts manufacture is more vulnerable or has been more severely injured than loudspeakers.

After 1967 the rising tide of television, phonograph, tape recorder, and radio imports erased the economic strength from loudspeaker production. Between 1967 and 1969, domestic shipments declined 44%, imports increased 71%, the import share of the market more than doubled, so that two out of every three loudspeakers acquired by consumers in 1969 were of foreign origin, and employment dropped by 44%. The loudspeaker industry is about at the point of extinction as a substantial factor in the American market due to imports of both loudspeakers and finished consumer electronic products. Japan is the major culprit.

IMPORTS HAVE CAPTURED FROM 43 TO 88 PERCENT OF THE DOMESTIC MARKET FOR PASSIVE ELECTRONIC COMPONENTS

The major part of domestic sales of passive components goes into consumer electronic products, so that imports have had a serious impact on these segments of the electronic parts and components industry.

Increased productivity in the passive components industries brought about an average 54.5% increase in shipments between 1963 and 1969, while employment dropped by 4%. Total imports increased by 375%, however, and the share of the market supplied by imports doubled, with the major part of the market in 1969 supplied by imports.

With the perspective afforded by the 1969 ratio of imports to consumption of steel of 13%, textiles 11%, and footwear 28%, imports of tape recorders at 90%, radios at 88%, phonograph at 54%, televisions at 30%, electron receiving tubes at 47%, television picture tubes at 31%, loudspeakers at 67%, and passive components at 51% represent for the electronic products industries an extremely serious problem.

These foreign trade developments in electronic products have had a major adverse effect on our nation's balance of trade. In 1964, we had a deficit of $122 million in these products. By 1969, this deficit had grown to $741 million.

STATEMENT BY CLIFFORD B. O'HARA, CHAIRMAN, COMMITTEE XI: FOREIGN COMMERCE, THE AMERICAN ASSOCIATION OF PORT AUTHORITIES AND CHAIRMAN, FOREIGN COMMERCE AND GOVERNMENT TRAFFIC COMMITTEE, THE NORTH ATLANTIC PORTS ASSOCIATION

Mr. Chairman, Members of the Committee on Finance: I appreciate this opportunity to present for your consideration the reasons for opposition by the American Association of Port Authorities and the North Atlantic Ports Association to the enactment of the House Ways and Means Committee approved version of the Trade Act of 1970.

The corporate membership of the American Association of Port Authorities includes all the 80 principal public port agencies concerned with the planning, development and operation of the seaports along the coasts, bays and rivers of the United States, its insular possessions and the Great Lakes. The Association's member ports handle all the oceanborne foreign commerce of our nation. The North Atlantic Ports Association, most of whose members also belong to the American Association, represents United States Atlantic Coast ports from Maine to Virginia and includes both public and private port interests. It speaks for member ports which are responsible for devloping and operating facilities through which flows about half of the total oceanborne foreign commerce of our nation by value.

In their efforts to accommodate this flow of commerce which amounted to 417 million long tons valued at almost 42 billion dollars in 1969, these ports have invested well over two billion dollars in terminal and cargo handling facilities since the end of World War II. Through this massive investment in facilities, American ports have not only provided for the efficient and economical transfer of goods between ocean and inland carriers but expanded transport capacity by capitalizing on innovations such as containerization, thus making international trade cheaper, safer, simpler and consequently more attractive.

And since one of the most essential elements that make up a country's ability to compete in the international marketplace is the level of its prices, the investments by American ports which help keep the cost of transport down are directly contributing to the ability of U.S. products to earn shares of overseas markets. Also, as the various ports compete with each other to provide the best possible facilities and the most effective services to exporters and importers, they help expand the total volume and value of international trade by stimulating exporters and importers to maximize their foreign trade opportunities. A dramatic example of such competitive efforts to expand trade is the planning and building of World Trade Centers.

The ports of the United States submit that millions of workers earning their livelihood in every part of this nation have a direct stake in the maintenance of a healthy two-way flow of trade. Each port is itself a major factor in the economic well-being of the geographic area in which it is located, and, therefore, trade restrictions of any kind or dislocations in the flow of trade obviously cause an immediate impairing effect on the economy of the port community as a whole.

The American Association of Port Authorities has been conducting a survey of port area employment dependent on international trade and waterborne transportation. While all the results are not yet in, a preliminary tabulation indicates that over one million persons in the United States earn their livelihood *directly* from the handling, documentation, promotion and financing of foreign trade. There are over 65,000 registered longshoremen augmented by another 24,000 casuals handling waterborne export-import cargoes throughout the nation's ports. Over 51,000 employees of local motor carriers are engaged in delivering to or picking up freight from marine terminals. Approximately 97,000 truckers and railroad workers transport waterborne freight to and from the ports. Some 81,000 persons are employed by export-import wholesaling organizations, export management companies, combination export managers and the like. Marine terminal construction and maintenance company employees total 9,000 and ship construction workers and repairmen 110,000. Marine insurance firms provide employment for over 6,100 persons; ocean freight forwarders, customs brokers, warehousemen and export packing firms employ more than 45,000 workers. As a result of the current flow of international commerce between this nation and others, there is also work for 27,000 persons in container leasing, line handling, water supply, tender services, ship chandlery, inspection services, cargo security agencies and at other maritime equipment supply and service firms. There are towing and barging workers, steamship company employees, ship brokers and agents. Commodity exchanges employ specialists in export-import commodities; financial institutions such as foreign exchange dealers, domestic banks with international departments, international trade and transportation consultants, trade promotion bureaus provide employment opportunities for thousands of others. The national total of employees in port-related or tidewater industries such as sugar refineries using imported cane sugar, privately owned grain elevators, smelters of imported metals, coffee roasters and other such operations is well over 400,000. The number of employees of port and government agencies such as the U.S. Customs, Coast Guard, etc. is in every case overshadowed by the huge number of workers engaged in providing essential services to shippers and traders.

Examples of the economic impact of individual port generated employment on the surrounding community have been furnished by several recent studies conducted in various parts of the country. It has been estimated that at the Port of New York the operations of the port provide the basis for the livelihood of one out of every four persons residing in the New York metropolitan area. A study of the employment income impact of the Port of Galveston shows that of the total, full time, equivalent civilian employment in the City of Galveston, more than 58 percent or nearly three out of every five workers are employed in activities resulting from port operations. The Tampa Port Authority reports that one wage earner in seven in the eight-county surrounding area is employed in business related to the port. A review of the contributions of the ports of Virginia to the economy of that commonwealth indicates that one out of every eight employed persons in Virginia holds a job that is either directly or indirectly related to the activities associated with the state's ports. These figures are particularly impressive in the context of the recently released report of the Bureau of the Census which states that despite the vast expenses of land in the interior of the United States, about 53 percent of the American people live in counties which lie at least partly within 50 miles of the coasts. Thus the ports are not only prime generators of direct employment but prime consuming areas as well.

The ports of the United States strongly support further implementation of the policy of reciprocal trade liberalization which has been the cornerstone of our national foreign economic policy since 1934. Conversely, we oppose the imposition of barriers to trade expansion, which reduce incentives to modernize, to lower costs, and to increase productivity. It is our opinion that quota restrictions or other artificial barriers to trade will inevitably be used by other countries to justify their own restrictions on imports from the United States. A study released by the Maritime Administration a few years ago reported that 2,500,000 workers were employed in export-related industries in states having port facilities. This is some 83 percent of the estimated three million jobs created by overseas demand for U.S. products—a demand which can be maintained only if our trading partners can pay for their purchases by selling their own products to us. Thus, the ports of this country will encounter reductions in the movement of goods caused initially by the quotas themselves, and subsequently by the retaliatory action of other nations. For this reason, the ports of the United States oppose the enactment of the Trade Act of 1970 as reported by the Committee on Ways and Means.

We are aware that some American firms and even industries are especially vulnerable to competition from imports and submit that firms and workers in trouble deserve help while market adjustments take place and production is shifted to areas of greater comparative advantage. However, we do not support the application of automatic trade restrictions based on quantitative formulae without individual consideration. We deplore protectionism including import quotas on any and all products.

Last November the President declared in his message to Congress that "American trade policies must advance the national interest—which means they must respond to the whole of our interests, and not be a device to favor the narrow interest." In addition to being a negative, self-defeating response to both competition and the unfair trade practices of others, import quotas most certainly "favor the narrow interest." By choosing such a course we would be giving protection to the few at the expense of the many. By subsidizing industries that should be upgrading their products and the skills of their workers, we would invite foreign retaliation against U.S. exports in other industries with the consequential harm to other industries and workers, feed inflation and erode the purchasing power of American consumers. It is a fact that ports tend to be the driving economic force in their local hinterlands and that a great portion of the nation's industry and population is concentrated about the U.S. ocean and lake ports. It is therefore not only in their own economic interest that the U.S. ports oppose such trade restrictions but as representatives of consumers, business and labor generally, which could all be seriously injured as a consequence.

Consequently, the American Association of Port Authorities and the North Atlantic Ports Association respectfully urge the Committee on Finance to defeat the Ways and Means Committee's version of the Trade Act of 1970 (H.R. 18970).

Thank you, Mr. Chairman.

APPENDIX

At their most recent annual convention held at San Francisco last year, the United States corporate member ports of the American Association of Port Authorities reaffirmed their commitment to reciprocal trade liberalization on a fair and equitable basis by unanimously adopting the following resolutions:

FAVORING ADDITIONAL NEGOTIATIONS AND LEGISLATION FOR THE FURTHER LIBERALIZATION OF TRADE

Whereas, the reduction of international trade barriers stimulates the demand for goods; and

Whereas, the general challenge of comptition is the guarantee of industrial efficiency and productivity; and

Whereas, it is essential that the United States, as the world's largest single trading nation, establish realistic and profitable relationships with other members of the international economic community: Now, therefore, be it

Resolved, That the American Association of Port Authorities favors the contribution of trade liberalization and supports further negotiations and legislation which implement this goal and strongly recommends support of such action both by governmental and private sectors of the United States; and Committee XI is hereby authorized and directed to take such action as is proper to carry out the policy of this resolution.

FAVORING TAX INCENTIVES FOR EXPORTS

Whereas, the growth of United States exports has not kept pace with the growth of imports; and

Whereas, the United States is experiencing a sharp decline in its trade surplus because of changes in the composition of its trade; and

Whereas, a diminishing trade surplus in conjunction with the United States balance of payments deficit endangers the continuance of liberal trade policies which are essential to the well being of the United States economy; and

Whereas, the most effective manner in which to improve the United States trade balance is by providing stimulus to American business to engage in export activity: Now, therefore, be it

Resolved, That to improve the profitability of exporting, The American Association of Port Authorities favors the enactment of tax legislation consistent with GATT rules, providing tax incentives as beneficial as those provided to trading competitors of the United States and Committee XI is hereby authorized to take such action as it deems proper to carry out the policy of this resolution.

STATEMENT OF BRICE O'BRIEN, VICE PRESIDENT, NATIONAL COAL ASSOCIATION

Mr. CHAIRMAN: My name is Brice O'Brien. I am a Vice President of the National Coal Association, which represents most of the major producers and distributors of the Nation's commercial bituminous coal.

We believe that "energy" (all forms of energy) must be carved out of the general "foreign trade" picture and given special treatment—not for the good of the energy producers, but for the preservation of the Nation. The United States can be reasonably self-sufficient in energy, if Congress adopts appropriate policies. For the next 20 or 30 years, however, domestic energy productive capacity will be unable to grow if it is forced to compete with unrestricted imports of low-cost foreign oil. The Nation, therefore, must choose between the following alternatives:

(a) Congress can limit by law the percentage of total energy consumed in this country which will be allowed to be supplied by imports. If this is done, imports of energy will grow, but only at the rate that domestic consumption grows. The United States will be reasonably self-sufficient in energy, at reasonable costs (although those costs will probably be higher than the short-term costs of becoming largely dependent on imports).

(b) Congress can choose to let the Nation become largely dependent on energy imports. For the short term, this would probably reduce energy costs. In the long run, it would be disastrous for the country. The cost of energy (and its peculiar vulnerability to the low-cost competition of imports) places energy in a special category; the annual deficit in the balance of payments would soon become too great for the Nation to bear, thus impairing the national security by ruining the economy. The national security would be further jeopardized by the ability of foreign nations supplying our energy to dictate policy under threat of energy disruptions.

I will now set forth in some detail the basic considerations which lead to the the conclusions already set forth:

I.—"ENERGY" CAN NO LONGER BE TREATED DIFFERENTLY AS TO ITS COMPONENT PARTS: TECHNOLOGICAL DEVELOPMENTS HAVE CREATED "SUBSTITUTABILITY" AMONG THE ENERGY SOURCES, TO THE POINT WHERE POLICY AFFECTING ONE SOURCE AFFECTS ALL SOURCES

It is no longer possible to disrupt the supply of any one source of energy without having a marked effect upon all other sources of energy. Unrestricted imports of residual oil will erode the productive capacity of the coal and uranium industries. Unrestricted imports of crude oil will erode the productive capacity of domestic oil, and will also result in decreased discovery of natural gas. Erosion of coal's productive capacity will decrease the Nation's prospects of maintaining self-sufficiency in oil and gas (through the future production of synthetic fuels from coal). Without sound planning based on the concept that oil, gas, coal and uranium are merely segments of one total industry—"energy"—the country will be unable to meet the tremendous energy needs of the future.

These changing circumstances were well summed up in a statement presented last month to a subcommittee of the Senate Judiciary Committee by Messrs. Netschert, Gerber and Stelzer of National Economic Research Associates, Inc.:

Uranium, coal, oil and gas all serve the identical function in an electric utility power plant, which is to produce heat which makes steam which turns the turbine-generator to produce electricity . . .

In the non-boiler fuel market there is also competition between coal, oil and gas, with coal at a basic disadvantage because of its greater difficulty of handling than the fluid fuels. In certain sections of the country, especially the Northeast, there is significant competition between gas and oil . . . There is further competition between the fuels on the one hand and electricity on the other . . .

Also on the longer-term horizon are other changes in the circumstances of interfuel competition. One is the commercial development of oil shale for the production of synthetic liquid and gaseous fuels. It appears that only a relatively small increase in the price of crude oil (perhaps as little as 10 per cent) would be required to make shale oil competitive with crude oil. This would bring a new energy source on the scene. Similarly, synthetic liquid and gaseous fuels from coal are within striking distance of being commercial. The basic technology is fully developed and it is only a matter of bringing certain cost components into line. It has been estimated, for example, that gasoline can be produced from coal with the present state of the art at only one or two cents a gallon higher than the current refinery cost of gasoline from crude oil.

The effect of the changes that have already occurred and those that are possible during the coming decade is to create a degree of substitutability among the various energy sources that has never existed before. Electricity is fully substitutable for any of the fuels for most purposes and potentially substitutable in transportation; gas and oil (in total energy or in the fuel cell) are complete substitutes for marketed electricity; oil shale and coal can yield a refinery feedstock that supplies the full range of major refinery products now obtained from crude oil and a synthetic gas that is identical with natural gas; uranium and the fossil fuels are all complete substitutes for each other as fuel for power generation.

For the good of the country, the entire range of policies affecting energy supplies must, somehow, be coordinated in the future. There is a notable lack of such coordination at this time. For example, government-sponsored "over-sell" of atomic power, unrestricted imports of residual oil to the East Coast, and premature limits on sulphur content of fuels have combined to destroy the incentive for opening of new coal mines—which, coupled with unexpected delay in the performance of atomic power, higher-than expected growth in energy demands, and unnecessarily harsh mining laws, has resulted in a serious coal shortage today. That such a shortage exists in the country which is the most abundantly-endowed with coal reserves must be accepted as proof that our government has not adopted appropriate energy policies.

II.—GIVEN THE PROPER INCENTIVES (WHICH MUST INCLUDE PROTECTION AGAINST UNRESTRICTED IMPORTS OF CRUDE OIL AND RESIDUAL OIL) THE UNITED STATES WILL HAVE AN ADEQUATE SUPPLY OF ENERGY FROM DOMESTIC SOURCES, FOR THE FORESEEABLE FUTURE.

The energy needs of the future will be tremendous—a statement accepted by everyone. Projections of energy consumption vary from source to source, but the following data represent what we conceive to be a consensus, and are presented in terms of quadrillion Btu's to make comparisons easier (40 million tons of coal is equal to about 1 quadrillion Btu's):

PROJECTED CONSUMPTION OF ENERGY, UNITED STATES (ANNUAL AND CUMULATIVE)

[In quadrillion B.t.u.'s]

Year	Coal		Gas		Oil and NGL		Uranium (LWR'S)	
	Annual	Cumulative	Annual	Cumulative	Annual	Cumulative	Annual	Cumulative
1960	10.0		12.5		20.7			
1970	14.7	127.5	18.3	152.8	28.3	238.4	3.3	7.7
1980	15.7	280.0	25.0	363.9	38.5	565.5	16.8	108.3
1990	20.0	462.5	33.7	648.9	52.5	1,011.0	35.8	376.7
2000	28.0	707.5	46.1	1,038.8	71.3	1,616.0	60.4	865.3

Reserves: Proven reserves of natural gas and oil are, as is widely known, sufficient to last only a relatively short time. However, most people in those industries, and many responsible people in government, are confident that there is enough *undiscovered* gas and oil in the country to permit meeting all domestic needs for the remainder of the century—provided the price and other incentives are sufficient to result in the necessary exploration risks.

With respect to uranium, the situation is more complex. Used in Light Water Reactors (the type being built today) uranium contains about 450 x 10^9 Btu per ton of concentrate (assuming plutonium recycle). Using the figures of the Atomic Energy Commission for possible reserves up to $30 per pound (present price is somewhat under $8 per pound), we have a uranium energy reserve of about 360 quadrillion Btu as probable minimum, and 675 quadrillion Btu as probable maximum. It is apparent, therefore, that atomic power cannot make any lasting contribution to our energy supplies unless a "breeder" reactor is developed.

If such a reactor is developed, it will multiply by a factor of about 80 the amount of energy which can be extracted from a given quantity of uranium. If that comes to pass—and the Atomic Energy has expressed high hopes that it can be accomplished on a commercial basis before 1990—there will still be a period of about 30 or 40 years (depending on the "doubling time" of the breeder) when there will be heavy pressure on uranium supplies, but after that transition period has been passed through there should be a sufficient supply of fuel for atomic power plants. The consumption figure for uranium set forth above is based on light water reactors, which require substantially more uranium for initial cores than they require in annual burn-up, and this peculiarity accounts for a substantial part of the "consumption" figure set forth.

Reserves of coal and oil shale: Estimates of the probable recoverable reserves of coal in the United States range from 17,300 quadrillion Btu's to about 25,400 quadrillion Btu's. Note that the estimated total annual consumption of all fossil fuels in the year 2000 amounts to only 145.4 quadrillion Btu's. Thus, even our minimum estimate of recoverable coal reserves are more than 100 times as great as the expected year 2000 consumption of *all* fossil fuels. And this coal can be converted to oil and gas—*if the price is right.* It seems entirely unlikely that oil and gas made from coal will be able to compete with low-cost foreign oil during the remainder of this century, because it seems probable that the rest of the world will continue for the next 20 or 30 years to have a surplus of oil. Eventually, of course, the rest of the world will increase per-capita consumption of energy, and the surplus will disappear. But domestic energy will need protection against low-cost foreign oil for many years to come if the Nation is to rely on domestic energy.

While reserves of oil shale are not as bountiful as those of coal, they are still tremendous. Estimates of the energy recoverable therefrom range more than 5,000 quadrillion Btu to 8,700 quadrillion Btu. Thus, oil shale alone could (again, *if the price is right*) supply all the oil and gas for the country at the rate we are using it today for more than a hundred years; even at the consumption rate expected in the year 2000, oil shale could handle that task for nearly 50 years.

We believe these figures show that the United States can, at a price, maintain self-sufficiency in energy through this century and the next century. It is probably fruitless to speculate beyond that time, because it is impossible to even guess at what innovations might occur. But it seems reasonable to hope, and to believe, that by the end of the next century research into fusion will result in a permanent solution to mankind's energy requirements.

III.—THE UNITED STATES WILL BECOME GREATLY DEPENDENT ON IMPORTED ENERGY IF DOMESTIC ENERGY SUPPLIES ARE NOT PROTECTED AGAINST OIL IMPORTS

Domestic supplies of oil are very vulnerable to unfettered competion from foreign oil. This arises not out of inefficiency, or unnecessarily high prices, but simply out of the facts of geology. The remaining undiscovered oil deposits in this country lie at much greater depths than those being exploited abroad, and as a result the cost and risk involved in finding them is far greater. To provide the incentive necessary to bring about the necessary exploration, the rate of return must be substantially higher than that which would result if domestic oil had to compete with foreign oil.

It is true that a large part of the present "inventory" (proven reserves) of the domestic oil industry would be produced and sold even if it had to compete with imported oil—but it would be sold at a price insufficient to cover the cost of replacement, and therefore *it will not be replaced.* Such a policy would, in effect, result in the early liquidation of the domestic oil industry because existing inventory is sufficient to last only a very short period of time.

While domestic natural gas is currently priced far below the cost of imported liquified gas, it too would have its reserve situation made far worse if domestic energy were subjected to unfettered competition from foreign oil. This would about, in part, because substantial gas discoveries are made during the course of exploration for oil, and if exploration for oil ceases less gas will be found. In addition, in the future the cost of domestic gas will of necessity rise, to compensate for the increased costs of finding new reserves, and if unfettered competition from imported oil is permitted it may some day be cheaper to make gas from imported oil than it is to go out and find new domestic supplies.

The effect of unrestricted oil imports upon the possible production of synthetic oil and gas from coal and from oil shale is obvious and drastic. Synthetic gas from coal and from oil shale cannot compete with the cost of domestic oil and gas, and will not be able to do so until the cost of finding domestic oil and gas forces the prices of those commodities higher than they are today. Unrestricted imports of crude oil will delay by decades (until such time as the world oversupply of oil disappears) the commercial production of synthetic gas and oil from coal and oil shale. It will take literally hundreds of millions of dollars to build a single full-scale plant producing synthetic fuels from coal or oil shale; such an investment will never be made unless and until the Congress enacts a firm, long-term limitation on the percentage of domestic fuel needs which will be permitted to fall into foreign hands.

Even in the field of providing power for electric plants, domestic energy is becoming increasingly vulnerable to imported residual oil. Domestic uranium has temporary protection against imports of uranium, but it has no protection against imports of residual oil—and many utilities are now building plants to burn imported oil rather than coal or uranium.

Until recent years, the Nation has not suffered unduly from the effects of imported residual oil on the coal industry—primarily because domestic coal was substantially cheaper in most parts of the country than imported residual oil. In the case of power plants situated right on the East Coast, imported residual (being a by-product) could and did undersell domestic coal, and the Nation needed limitations on imports thereof. Those limitations were provided, under the quota system, until 1966. At that time a substantial wage increase forced the coal industry to violate President Johnson's voluntary price guidelines. Shortly thereafter, the President opened the entire East Coast (District 1, which includes Connecticut, Delaware, the District of Columbia, Florida, Georgia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, Vermont, Virginia and West Virginia) to imports of residual oil. Almost immediately those power plants located on the Coast began switching from domestic coal to imported residual. In recent years even those power plants located some distance inland have begun to make the switch—and most of the new fossil fuel power plants planned in the Coastal States are going to use imported residual.

Even though it is very expensive to transport residual oil overland (it must be kept hot in order to be kept liquid), the utilities are switching to residual and away from coal for two primary reasons: First, government has stimulated severe restrictions on the sulphur content of fuels prior to the time when technology for sulphur abatement is commercially accepted, and the utilities would rather meet those restrictions by turning to imported low-sulphur oil than by constructing costly sulphur-abatement plants which have not yet been proven through long experience. Second, the cost of producing coal has been increased substantially through the enactment of the most stringent coal mining law in the history of any country. Under these circumstances the Eastern Seaboard is already dangerously dependent, for its supplies of electricity, on residual oil imports. Unless Congress takes action, this dependence will become almost complete in the next few years. Worse, this dependence will shift from friendly sources (South America and Canada) to more questionable sources—because the low-cost residual oil is available primarily from the Mid-East.

We believe that domestic coal will continue to be the cheapest fuel for producing electricity in the interior of the country, in spite of the increased cost of producing coal and the expected high cost of abating sulphur emissions in coal-burning power plants. Yet we (and the Nation) have ample cause for alarm. The Oil Import Board of Appeals has already granted permission for Commonwealth

Edison Company of Chicago to bring imported residual oil up the Mississippi River to Chicago, to replace (at a 50 per cent cost increase) high-sulphur coal being used there. It was stated, in granting that permission, that the case was not to be considered a precedent. We hope we can rely on that statement, because there are many additional petitions pending for permission to import residual oil into the very heart of the Nation. If the utilities are forced by law to rely on domestic fuel they will build the sulphur-abatement plants now being offered to them and will supply their communities with electricity and with clean air—at the same time, and at a price. If they are permitted to switch to imported residual oil, they will have the power, they will have the clean air (if they use Mid-East residual), and the price will be even greater than it would with sulphur-abatement plants for coal. And the country will be the big loser—both in balance of trade problems and in military security.

IV.—"ENERGY MUST BE GIVEN SPECIAL CONSIDERATION IN FOREIGN TRADE DETERMINATIONS, BECAUSE OF ITS GREAT EFFECT ON THE NATIONAL SECURITY THROUGH MILITARY SECURITY AND THROUGH BALANCE OF TRADE CONSIDERATIONS

In the last 20 years, the United States consumption of energy (mineral fuels, hydropower and nuclear power) has more than doubled, from 31 trillion Btu in 1949 to more than 65 trillion Btu in 1969. Our country's "raw energy" bill this year will be about $20 billion. Our trade deficit in energy will be nearly $2 billion.

In the past few years the rate of energy consumption has been increasing about 5 per cent each year. It is apparent that our energy consumption of today will double well within the next 20 years. As we consider energy policies, therefore, we are envisioning in less than 20 years a yearly bill of $40 billion.

If Congress fails to enact a permanent and definite limitation on the percentage of our energy needs which will be permitted to "go foreign," it is quite probable that substantially more than half of the total energy bill will become a net loss to our country in terms of trade. We fail to see how any country could possibly maintain faith in its currency with a $20 billion a year drain in one single item—energy. The results will be disastrous to the economy, and the country simply must have a strong economy if we are to have any chance at all of maintaining freedom in a large part of the world. The national security would be destroyed by such a drain, because the economy would be destroyed.

The national security would be greatly imperiled for another reason—the ability of unfriendly sources of supply (and most of the world's surplus low-cost oil will come from countries whose continued friendship is quite tenuous) to create economic chaos in this country merely by interrupting our oil supply. Only a relatively small portion of the great energy needs of the United States could be met by imports from Western Hemisphere countries. The surplus oil is in Africa, with relatively small (in relation to future needs) quantities foreseeable from South America and from Canada. Gas requirements, likewise, will become subject to Eastern Hemisphere sources (through production of synthetic gas from foreign oil) if the country fails to insist on self-sufficiency. Speaking to the Independent Petroleum Association on May 12 of this year, Canada's Minister of Energy, Mines and Resources (the Honorable J. J. Greene) stated in part:

THE DOMESTIC ENERGY INDUSTRIES CANNOT BE TURNED OFF AND ON, UP AND DOWN, LIKE A SPIGOT. IF THE NATION IS TO REMAIN REASONABLY SELF-SUFFICIENT IN ENERGY, CONGRESS MUST ENACT A PERMANENT, DEFINITE LIMITATION ON ENERGY IMPORTS

If the country is to have oil, gas and uranium available when needed, those industries must be given "lead time" to carry out the extensive exploration necessary for accumulation and maintenance of reserves. Proven reserves are the "inventory" of those industries.

In the coal industry, our "inventory" does not consist of reserves. We have, as previously stated, reserves sufficient for centuries. Coal's "inventory" is *productive capacity*. For the past several years, government policies have resulted in a shrinkage of coal's productive capacity, to the point where the country is now faced with serious coal shortages. The details of that shrinkage, and the government policies which caused it, are set forth in the attached document which we issued under date of April 27, 1970, entitled "Why Is Coal In Very Tight Supply? What Can Be Done About It?"

The decisions made this year or next year with respect to imports of residual oil will have a long-lasting effect on the future capacity of the coal industry to produce coal when needed. Unless government policies begin to encourage, rather than discourage, the opening of new coal mines, the productive capacity of the industry will further decrease. Once it decreases, it takes years to build back up—not only because it takes several years to open new coal mines, but even more important, it takes many, many years to build up a trained labor force. In addition, it is impossible to "beef up" overnight the coal-carrying capacity of the railroads.

If Congress permits foreign countries to gather control of a major part of our energy supplies, those foreign countries will have the power to cause economic chaos in the United States for a period of many years. If they should decide to cut off our oil supply, or to make drastic increases in the price thereof, it would be many, many years before our domestic energy industries could be rebuilt to the point of self-sufficiency. That is a gamble which the country should not take.

CONCLUSION

Congress should enact a requirement that energy imports in the future be held to their present percentage of domestic energy consumption—with "energy" considered as a whole (oil, gas, coal, and uranium) rather than in its individual segments. Congress should leave the details thereof (what part should come from South America and Canada, etc.) to the Executive Department. If this is done, the country will maintain a reasonable degree of self-sufficiency and independence in energy. If this is not done, energy consumers may save a few dollars in the short run, but in the long run our economy and our national security will be compromised so severely that it will be impossible for the United States to maintain any semblance of world leadership.

As requested in the notice of hearing, I have attached to this statement a "summary sheet" of the points made herein.

I appreciate the opportunity to express the coal industry's views to you.

Statements Presented on Behalf of ASG Industries, Inc., C-E Glass, Subsidiary of Combustion Engineering, Inc., Libbey-Owens-Ford Company, and Glass Division, PPG Industries, Inc., by Eugene L. Stewart, Special Counsel, Before the Committee on Finance, U.S. Senate—October 12, 1970

The domestic flat glass industry requests the Senate Finance Committee to report favorably H.R. 18970, the "Trade Act of 1970," with the following amendments:

1. Increase the duty on sheet glass to the statutory rate as recommended by 3 of the 4 present members of the Tariff Commission in the Commission's recent escape clause investigation; and increase the duty on rolled glass to the pre-Kennedy Round level as recommended by 2 of the 4 present members of the Tariff Commission in that investigation (see draft of proposed legislative language attached as Appendix 10 to this statement);
2. Make the Tariff Commission's findings in escape clause cases of the duty increase or other changes in customs treatment required to correct actual or to prevent threatened serious injury binding on the President;
3. Delete clause C(ii) of Section 301(b)(5) of the Trade Expansion Act of 1962 as it would be added by Section 111 of H.R. 18970 on the ground that it would be impossible for any domestic industry to meet the burden of proof specified in such clause C(ii), the requisite data being uniquely under the control of foreign business organizations; or, alternatively,
4. Provide mandatory import quotas coupled with negotiating authority for the President to enter into agreements to limit imports of all categories of flat glass similar to the textile and footwear provisions of H.R. 18970, as provided in S. 864 and S. 3022.

I. THE IMPACT OF U.S. FOREIGN TRADE POLICY ON THE FLAT GLASS INDUSTRY

Today in the United States glass plants are shut down in varying degrees. In some, one or more but not all of the furnaces are closed down. In others, the entire plant is closed down.

By 1969, total employment in the flat glass industry was at its lowest level in 20 years. There are two causes: First, the recession in the construction and automotive industries has weakened demand for all categories of glass. The second cause is the lack of any effective regulation of imports. In 1969, imports accounted for 21% of domestic consumption of flat glass, up from an average of 5% for the years 1950–1954, the first five years in the period of the past two decades in which import duties on flat glass have been repeatedly reduced.

Flat glass manufacturing plants are located close to their sources of raw materials. The demand for the grade of silica sand used in glass manufacturing gives real economic value to these abundant natural resources. Fortunately for the economies of some of our more disadvantaged economic areas in the United States, at least half of the glass manufacturing plants in the United States are located in Appalachia or similarly disadvantaged economic areas elsewhere in the nation.

U.S. producers of flat glass compete in the United States and world markets with the glass industries of Europe and Asia. They have a strong advantage over the U.S. producers. The lower standard of living and the lower wages of their countries contribute to lower construction and maintenance costs of their glass plants, and to lower costs of production. There is a high labor content in the manufacture of flat glass.

Foreign producers are assisted by their governments in the protection of their home markets and the subsidization of exports through the remission of internal taxes. The United States industry has been severely handicapped by repeated adverse actions by the Executive Branch. In every category of flat glass, import duties had been reduced by at least 50% by January 1, 1948. Further reductions of duty were made in 1951, 1956, 1963, 1967, and in the Kennedy Round.

As a consequence, the penetration of the domestic market by imports of flat glass exceeds that which exists in textiles, steel, and most other manufactured products. In major categories of flat glass, the import penetration ratio exceeds that of footwear.

At the same time, the United States share of the world export market has declined in every major category of flat glass and is so small as to be almost ludicrous. According to an analysis made by the Department of Commerce, in 1968 the United States accounted for less than 2% of world exports of sheet glass, less than 5% of world exports of cast and rolled glass, and only 13% of world exports of plate and float glass. With the largest capacity of any country in the world, the United States has been relegated to an inconsequential position in world export trade while its foreign competitors have invaded its market to the extent that more than one out of every five square feet of glass consumed in the United States is of foreign origin.

To give you some grasp of the competitive strength of our foreign competitors. I cite to you the fact that the value of Belgium's exports of sheet glass in 1968 was 22½ times that of the United States; Germany's, 9 times; Italy's, 8 times; France's, 6 times; and Japan's, 5 times.

When world exports in 1968 of 14 countries producing glass in the major categories of sheet, plate and float, and cast and rolled, are combined and the share of the major producing countries of that total is examined, we find the following facts: [1]

1. Total world exports were valued at $225 million, of which—
   - United States accounted for 7% of world exports, but received 29.5%;
   - Belgium accounted for 34% of world exports, but received only 2%;
   - West Germany accounted for 15% of world exports, but received only 9%;
   - France accounted for 12% of world exports, but received only 4%;
   - United Kingdom accounted for 11% of world exports, but received only 3%;
   - Italy accounted for 10% of world exports, but received only 3%; and
   - Japan accounted for 10% of world exports, but received less than 1%;
2. Of total world exports of flat glass by the major glass producing nations, 49% was destined to countries other than the major glass producing nations, of which
   - the United States supplied only 12%,
   - Belgium, 29%,
   - the United Kingdom, 17%, and
   - West Germany, 15%.

Mr. Chairman, in 1968, 65% of the quantity of flat glass imported into the United States originated in Western Europe, 20% in Asia, 9% in Eastern

[1] Based on data in Table 5, Appendix.

Europe, with the remaining 6% divided between Canada, Latin America, and the Middle East.[2] Control of the import problem would affect primarily Western Europe, Japan, Taiwan, and Eastern Europe.

The need for control is shown by the following:

1. The deep penetration of the domestic market by imports, equivalent to 21% of domestic consumption in 1969.

2. The loss of employment in the domestic flat glass industry which has accompanied the rising imports.[3] From its peak annual employment of 36,500 workers in 1957, employment in the flat glass industry declined steadily to 29,900 workers in 1961, the year in which the Tariff Commission found the sheet glass and cast and rolled glass sectors of the industry to be injured or threatened with serious injury by imports.

President Kennedy's action in raising the tariff on sheet glass in 1962 stabilized the relationship between imports and domestic shipments in the United States market, allowing employment to rise to 32,400 workers in 1966.

President Johnson's reduction in some of the sheet glass escape clause rates and his outright cancellation of the balance in January 1967 stimulated the imports on a new rising trend with immediate and direct effects on employment in the industry, which dropped to an average of 25,900 workers in 1969 and for the month of March 1970, the latest for which data are available, to the all-time low of 24,100 workers. The total loss of employment from March 1957 to March 1970 is 12,200 workers, equal to one-third of our labor force.

3. The sharply rising U.S. balance of trade deficit in flat glass, equivalent in 1968 to $60 million or 615 million square feet of glass. The following chart shows the rapid deterioration in the foreign trade position of the United States in flat glass during the past two decades as a result of the repeated reductions in U.S. duties on flat glass during that period.

II. THE IMPACT OF U.S. FOREIGN TRADE POLICY ON THE SHEET GLASS SECTOR OF THE FLAT GLASS INDUSTRY

Mr. Chairman, U.S. import duties on sheet glass have been reduced five times under the trade agreements program. By January 1, 1948, duties had been reduced by more than 50%; then a further 24% reduction was granted in 1951, and an additional 13% in 1956. These reductions had the cumulative effect of reducing import duties on sheet glass by 65% effective June 30, 1958.

As a result of the Tariff Commission investigation in 1961 which established that the domestic sheet glass industry was being seriously injured by increased imports, President Kennedy increased the duty applicable to imported sheet glass. The average effect of the increase applicable to all categories of sheet glass was about a 74% increase. The effect of the increase in duty was to stabilize the level of imports at about the 1962 level.

These increased rates of duty remained in effect until January 1967 when President Johnson canceled the increases on some categories and reduced the amount of increase on others. The net effect of his action was to reduce the average ad valorem equivalent of duties applicable to all categories of sheet glass by about 18%.

This does not appear in itself to be a large reduction; however, the events that followed demonstrated the accuracy of the Tariff Commission's judgment and that of President Kennedy in accepting the Tariff Commission's findings on the extent of tariff increase required in the escape clause action to correct serious injury in the industry. Following the 18% reduction in sheet glass duties in 1967, imports of sheet glass bounded upward in 1968. Though they declined modestly in 1969 due to the combined effect of a four-month dock strike on the East Coast and Gulf of Mexico ports and the recession in the housing industry which commenced in the second half of 1969, imports have remained at a very high level.

The relationship of the tariff changes to the flow of imports, the stabilizing effect achieved by President Kennedy's escape clause rates during the 1962–1967 period, and the sharp rise in imports following the reduction in sheet glass duties in 1967 are shown in the following chart.

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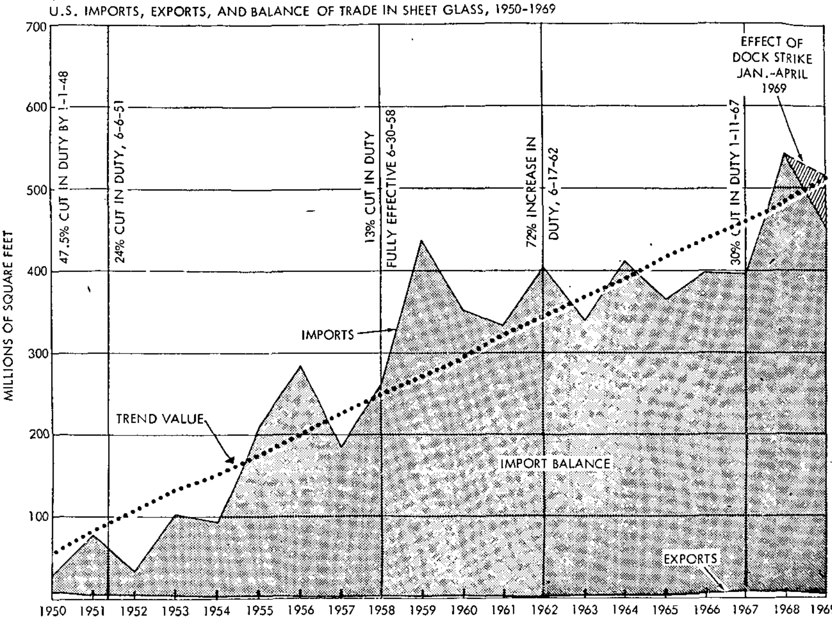
[2] See Table 6, Appendix.

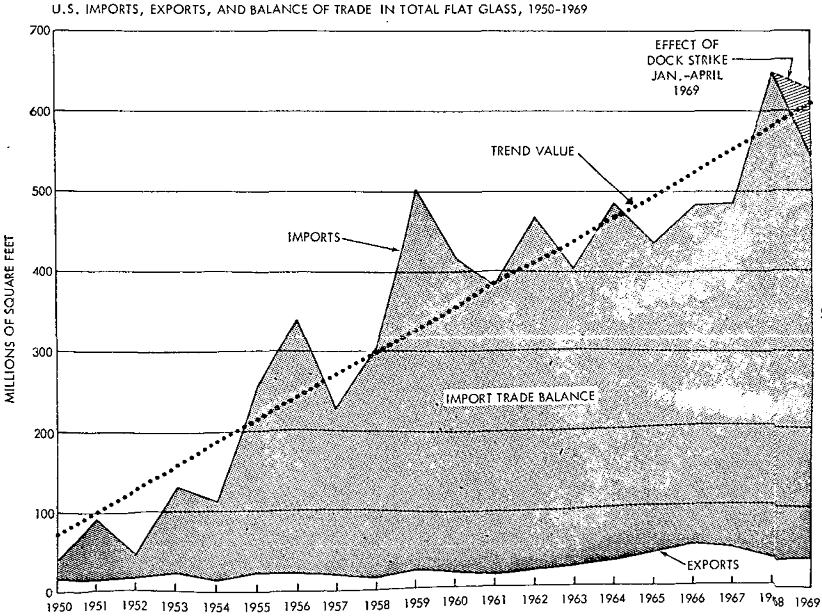
[3] Based on data published by the U.S. Department of Labor, Bureau of Labor Statistics, in *Employment and Earnings Statistics for the United States, 1909–68*, and in *Employment and Earnings*, March and May 1970.

Chart 2
U.S. IMPORTS, EXPORTS, AND BALANCE OF TRADE IN SHEET GLASS, 1950-1969



SOURCE: Table 2

Chart 1
U.S. IMPORTS, EXPORTS, AND BALANCE OF TRADE IN TOTAL FLAT GLASS, 1950-1969



SOURCE: Table 1

As you will notice from Chart 2, in 1950 U.S. foreign trade in sheet glass was close to the point of equilibrium. Imports in that year were equivalent to only 2% of domestic consumption. Commencing in 1951, sheet glass duties were further reduced by 24%. Imports commenced to rise, and that rise has continued steadily ever since, except for the period of stability achieved under President Kennedy's escape clause rates.

By 1957, imports had captured 15% of the domestic market. When the 1956 tariff cut of 13% became fully effective in 1958, imports resumed their upward rise. By 1962, the year in which President Kennedy acted under the escape clause, imports had captured 25% of the domestic market for sheet glass. Under the effect of the escape clause rates, the ratio of imports to domestic consumption stabilized, averaging 23% of the domestic market during the years 1963 through 1966.

In January 1967, President Johnson rescinded the escape clause rates on thin and heavy sheet glass and reduced them on single and double strength sheet glass. In taking that action, he referred to the "unusual hardships from imports" suffered by the workers in the sheet glass industry. His advisers convinced him that the duties on sheet glass could be reduced without intensifying the then-existing state of suffering of the workers in our industry.

His advisers were incorrect, as the events following the reduction of the sheet glass duties by President Johnson have established. During the three years 1967, 1968, and 1969, imports rose to their highest level and achieved their deepest penetration of the United States market. The share of domestic consumption accounted for by imports increased to an average of 29%, reaching their peak penetration at 32% in 1968.[4]

The sheet glass industry achieved its peak employment in 1959 with a work force of 11,422 employees. By 1969, employment has been reduced to 9,068, and during the first quarter of 1970 employment dropped still further, to 8,195 workers. Thus, the sheet glass industry had suffered a total loss of 3,247 workers during the period of the tariff bloodletting which I have described. The 8,200 workers who are still on the work force at the domestic sheet glass plants are experiencing injury from the heavy burden of imports which continues to disrupt the American market. Many of these workers are on reduced time as work-sharing is enforced in some of our plants.

As member of this Committee will recognize, the share of the domestic market accounted for by foreign-produced sheet glass, averaging 29% during the past three years, is higher than the market penetration by imports which exists in the steel industry, which is the beneficiary of an international agreement for the limitation of steel exports to the United States, more than twice as high as the market penetration by imports in the textile industry, and several percentage points higher than the penetration of the domestic market by imported footwear. Textiles and footwear are the proper subjects of your concern as shown by Title II of H.R. 18970, the Trade Act of 1970. We ask similar recognition for the sheet glass problem.

Our industry has invoked every remedy available to us to secure correction of our problem. I have already told you of the escape clause case which led to President Kennedy's action in raising duties on sheet glass and how this was substantially nullified by President Johnson in Janauary 1967. In 1969, we petitioned the Tariff Commission for a new escape clause investigation, and thus became one of the few industries in the United States willing to attempt the almost impossible task of meeting the unrealistic burden of proof for tariff adjustment imposed by the the Trade Expansion Act of 1962. We successfully met that test.

In late December 1969, the Commission issued its report. Three Commissioners made a two-part finding: (1) that imported sheet glass is, as a result in major part of tariff concessions, being imported into the United States in such increased quantities as to cause serious injury to the domestic industry, and (2) that an increase in the trade agreement rate to the level of the statutory rate "is necessary to remedy such injury."

Under the provisions of the basic statute governing the Tariff Commission, when the Commissioners split into two equal groups in their decision on a case, the President is authorized to accept the findings unanimously agreed upon by one-half of the number of Commissioners voting. In our case, three Com-

[4] Data in this and the preceding two paragraphs are based on Table 7, Appendix.

missioners, one-half of those voting, made a unanimous finding which was a single finding composed of two parts, as I have just described.

On February 27, 1970, the President issued his proclamation declaring that he accepted the finding of the three Commissioners who had found the industry to be seriously injured by increased imports.[5]

Unfortunately, the President was evidently not correctly informed as to the true nature of the finding of the Commissioners. He ignored the coördinate part of the fiinding in which the Commissioners stated that it is necessary to increase the duties to the statutory rate—a 63% increase above the existing rates. Instead, he determined merely to maintain the existing rates of duty, under which the serious injury had occurred, in effect for two years. The President stated that his purpose in doing so was to provide time for the manufacturers and workers in the sheet glass industry to apply for and receive adjustment assistance "to help them adjust to competition from imports."

The President's concept is that the American sheet glass manufacturers and their workers should get out of that business and attempt to get into some other business. We do not believe that any American industry, and certainly not one as basic as glass manufacture, should be erased from the national scene to accommodate foreign producers who already enjoy the lion's share of the world market and who have taken over a higher proportion of the American market than the Chairman and the majority of the members of this Committee are willing to have happen in textiles and footwear or that this and the prior Administration were willing to have occur in the steel industry.

When President Johnson reduced the import duties on sheet glass in 1967, he set up a task force to explore the potential for adjustment of sheet glass workers to other lines of activity. That task force of Government employees visited most of the sheet glass plants in the United States. We believe that it is correct to say that in every instance the workers, management, and community leaders whom they consulted made it clear to the task force that there is no other line of production for which sheet glass plants are suitable, and that the wages and the rates of pay of workers in the sheet glass industry, being higher than those enjoyed by workers in the vast majority of American industries. preclude any transfer of these workers with their specialized skills to other lines of activity without serious economic loss.

Furthermore, with the majority of the sheet glass plants located in Appalachia or similarly economic-retarded areas of the United States, employment opportunities for the transfer of workers to any other type of employment are severely limited.

Our industry has also filed dumping complaints against the foreign producers, and the Bureau of Customs is currently investigating the dumping of sheet glass from Belgium, France, Italy, West Germany, Japan, and Taiwan. The earliest of these complaints was filed on Setpember 23, 1968. Thus far notices of withholding of appraisement have been published in regard to sheet, plate, and float glass imports from Japan.

There can be no question but that our industry has been seriously injured by imports; the Tariff Commission has twice found this to be the case. Yet the President of the United States has determined that our industry is to be sacrificed, to benefit the foreign industry.

We understand on reliable authority that the President was concerned with the impact of an increase in the tariff on workers in Belgium's glass industry. He was evidently persuaded, erroneously, that an increase in the duty would have caused a loss of 10,000 jobs in the Belgian glass industry. Such a conclusion is absurd. If all Belgian imports were to be embargoed, the total effect on the

[5] Presidential Proclamation No. 3967, issued February 27, 1970.

Belgian sheet glass industry would be 1,000 jobs.[6] We are not asking for an embargo. We are asking for conditions in the industry to be stabilized at the 1963–1966 level in which the imports' share of the domestic marked averaged 23%.

The President's statement accompanying his proclamation declared that, "The purpose of the escape clause, in accordance with the provisions of the Trade Expansion Act of 1962, is to provide additional protection and time for industries to adjust to import competition."[7] If the President's statement is correct, then we think the Trade Expansion Act is wrong and should be repealed.

Labor-intensive manufacturing industries in this country can be as efficiently, or even more efficiently, conducted than their counterparts in Europe and Asia and still not be able to compete because of the advantage which the low wages in foreign countries give to the foreign producers. The President's statement implies that all labor-intensive industries are to be erased from the American scene. We do not believe that this Committee intends that that be the result of the operation of our trade agreements program.

From the President's statement in his proclamation in the sheet glass case, it is quite clear that your Committee and the Congress must declare a new public policy in regard to the regulation of imports to prevent the destruction of American industries.

III. THE IMPACT OF U.S. FOREIGN TRADE POLICY ON THE CAST AND ROLLED GLASS SECTOR OF THE FLAT GLASS INDUSTRY

The domestic market for rolled and figured glass has been severely disrupted by a long-continued trend of rising and excessive imports. Twice our industry has been to the Tariff Commission for an escape clause investigation of rolled glass imports. In 1961, two Commissioners found that the domestic industry was seriously injured by rolled glass imports, while a third Commissioner found that the industry was threatened with serious injury. Their split prevented the President from granting relief.

In 1969, two Commissioners found that the domestic rolled glass industry faces a harsh economic climate. Consumption of rolled glass is stagnant or declining. Imports take nearly a third of the domestic market. Domestic employment and shipments have followed the downward trend. These Commissioners declared that "the danger of serious injury to the domestic rolled glass industry is imminent, and requires prompt relief."

As subsequent events have shown, these Commissioners, Chairman Sutton and Commissioner Moore, could not have been more accurate. Subsequent to their report, one company has been forced to shut down its Floreffe, Pennsylvania, plant, and to reduce the size of the work force at its St. Louis, Missouri, plant for a total loss of 145 jobs. This is more than 12% of the total U.S. work force in rolled glass production.

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[6] In a lengthy article published in the Belgian newspaper, *La Dernière Heure* of January 20, 1970, M. Deltour, Assistant General Secretary of Glaverbel, the Belgian sheet glass producer, was quoted as stating in an interview that if the U.S. tariff on sheet glass were increased, the number of Belgian workers to "be concerned" would be 10,000. That statement provided a superficial basis for the 10,000 figure evidently supplied to the President by his staff.

However, in the same article the same spokesman was subsequently asked: "How many Belgian workers would become unemployed as a result of the U.S. action against your sheet-glass imports?" to which he answered, "1,500 workers would be directly involved from which 600 could possibly be shifted into our organization."

Accordingly, based on the statement of the Belgian glass company official, the net effect on employment that would have occurred had the duty been increased would have been a potential loss of 900 Belgian jobs, and even this figure assumes total exclusion of Belgian glass from the United States market.

In a subsequent article published in the Belgian daily paper, *Le Soir*, on January 21, 1970, evidence is supplied that total loss of the American market to Belgian glass was the basis of the calculation of the net loss of 900 jobs. In this second article appears the following statement:

"For Glaverbel, the loss of the American market would represent a considerable slow down of their activity. In fact the equivalence of one of their ten plants is threatened or about 1,000 people, taking into account finding new jobs through a reconversion of the workers eventually affected by this situation."

Contradicting its own posture of concern for the status of jobs in its Belgian sheet glass plant, Glaverbel has announced that it will construct a sheet glass plant in Canada to supply the North American market, including the United States. When this plant comes on stream, a portion of its output will be exported to the United States and replace exports from Belgium. Thus, Glaverbel will itself through its Canadian operations produce the effect on jobs in Belgium which it decried in successfully urging the President not to increase U.S. sheet glass duties.

[7] White House press release dated February 27, 1970.

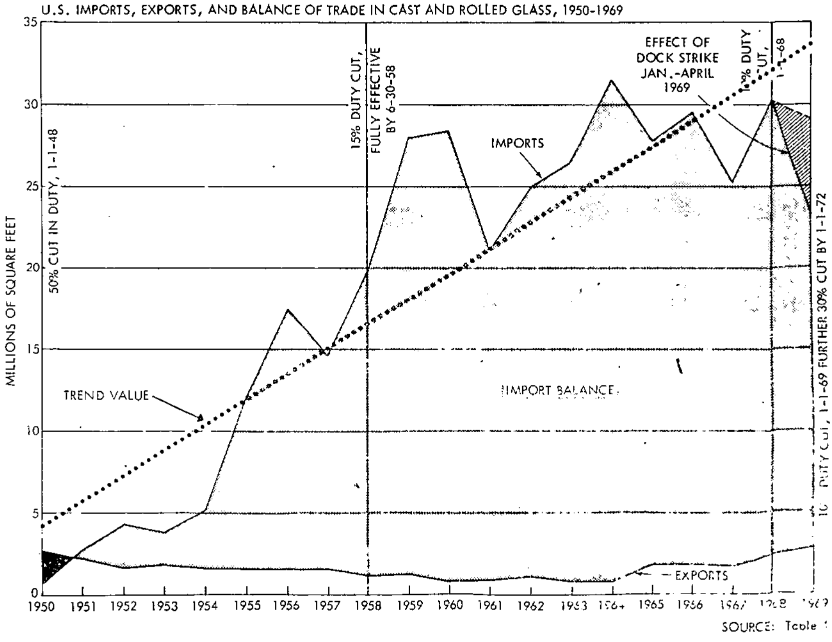
Unfortunately, four Tariff Commissioners found in the 1969 investigation that though the domestic industry has been adversely affected in its profits and employment by its declining share of the domestic market vis-à-vis imports, the statutory burden of proof imposed by the 1962 Trade Expansion Act had not been met. In my opinion, these four Commissioners engaged in unnecessary hair-splitting and rationalization to avoid making a finding that would help arrest the continued decline in employment in our industry which they conceded to exist.

Our experience in two escape clause actions convinces us that the remedy is of little or no value to domestic industries and their workers when those industries are faced with destruction by excessive imports coming into the United States market at rates of increase and at volumes which the market cannot absorb without driving the domestic producers out of the market.

Today the cast and rolled glass industry is almost at the point of extinction in the United States. For all intents and purposes there are only two producers left. Unless we get some relief from your Committee, the rolled glass industry and its workers are destined for total destruction.

Consider the gross imbalance in our foreign trade in rolled glass as shown by the following chart.

Chart 3
U.S. IMPORTS, EXPORTS, AND BALANCE OF TRADE IN CAST AND ROLLED GLASS, 1950-1969



In the space of two decades we have experienced a shift from a favorable trade balance to a deficit of monumental proportions. The 50% duty cut in 1948 triggered the beginning of the import rise. The further 15% cut in 1956, fully effective in 1958, set off a new spurt in the import growth. The Kennedy Round 50% cut is strengthening the already impressive competitive advantage of the foreign glass in the American market to such an extent that imports are continuing at a high level notwithstanding a sharply declining domestic market.

During the past twenty years, we have seen the ratio of imports to domestic consumption rise from an average of 6% during the first five years of the period, to 25% during the second five years, to 31% during the third five years, and to 34% during the most recent five-year segment of the two decades.[8] As a result, employment declined by 33%.

[8] See Table 8, Appendix.

Contrast this takeover of the American market by foreign-produced flat glass with the situation of textile articles. During the first five years of the past two decades, the ratio of imports to domestic consumption in textile articles was approximately 3%. During the second five-year period, the average ratio of imports to domestic consumption was 5.5%. During the third five-year interval, this ratio increased to an average of 8%. During the most recent five-year period, the ratio of imports of textile articles to domestic consumption rose to an average of 10%.[9]

Mr. Chairman, we agree that the textile industry needs legislation to regulate imports of textile articles. We support Title II of H.R. 18970, the Trade Act of 1970, to that end. Our point is that in the flat glass industry, and in this instance, in the cast and rolled glass sector, our situation is three times as grave as that in the textile industry. The rate of increase in the extent of market penetration in rolled glass is double that in textiles, and the extent of market penetration is more than three times that in textiles. The penetration of the domestic market by foreign-produced rolled glass is greater than in footwear, twice that of steel, and three times that of textile articles.

This is probably the last occasion on which a spokesman for the rolled glass industry will ask the Congress for help. If it is not extended to us through your action on the foreign trade legislation pending before you, there will not be a domestic industry producing rolled glass in the future.

As I conclude our statement, let me say a brief word about tempered glass. This is a safety glass product used in side and rear windows of automobiles, in patio doors, and in shower doors, as well as other miscellaneous applications. Tempered glass is fabricated from basic flat glass such as sheet, plate or float, and rolled glass. The technology for tempering is in a state of rapid evolution and is rather freely available throughout the world.

The rate of increase of imports of tempered glass exceeds that of any other type of flat glass. Only 3,000 square feet of tempered glass were imported as recently as 1964. The surge of imports has been so dramatic that by 1969, 22.4 million square feet of tempered glass were imported. About half of this was for automotive use and the balance for use in the construction industry.

Accompanying the rapid surge in imports of tempered glass has been an equally dramatic decline in the average unit value of imports: from an average of 72.5¢ per square foot in 1964 to 37.4¢ per square foot in 1969.[10] This sharp drop in the price of foreign-produced tempered glass has put severe pressure on domestic fabricators of tempered glass.

In 1962, the glass industry in the United States began a campaign to educate patio door manufacturers on the hazards of using nonsafety glass in these doors. The use of tempered safety glass has grown considerably in the housing field since then. It is in this area of use that the domestic industry is particularly vulnerable to foreign competition, as many of the doors installed use one of four standard sizes. Standard sizes lend themselves well to importation by users.

In 1964, the price of domestic annealed 3⁄16″ glass used to make standard sizes of tempered safety glass for patio doors was 26.98¢ per square foot, and in 1969, it was 32.01¢, an increase of 18.6%.

During the same period, imported tempered glass in the same sizes dropped from 49¢ to 38.5¢ per square foot, a decrease of 21.4%. The spread of 6.5¢ per square foot between the basic glass and the finished product is not enough to allow independent glass temperers to operate profitably. They have not been able to meet the foreign price and, as a result, the foreign producers' sales have skyrocketed, while domestic sales are dropping.

Our problem has been compounded by the fact that our Government has steadily reduced the import duties on tempered glass: a 28% cut in 1948; a further 31% cut in 1951; a further 16% cut in 1956, fully effective in 1958; and a further 50% cut in the Kennedy Round. Today, the duty on tempered patio door glass is 4.2¢ per square foot versus 3.36¢ per square foot on the basic glass from which the tempered glass is made—very little difference, indeed, for a product with a much higher labor content!

If domestic producers of tempered glass are to survive, some drastic measures are required. One company has decided to meet this emergency by manufacturing

[9] Ratios of imports to consumption derived from data in "Textile Organon," March 1962, October 1969, and March 1970; U.S. Department of Agriculture, Agricultural Statistics, 1967, 1969.

[10] Derived from import statistics published by U.S. Department of Commerce, Bureau of the Census.

its own raw glass for tempering; accordingly, it has taken a license from Pilkington Brothers Ltd., England, on their patented float glass process. It shall expend over $10 million constructing a float glass facility in the United States, the output of which will be used entirely as raw material for its glass fabricating operations. In this way, that company hopes to lower its raw material costs so as to be able to meet the threat of foreign competition. I don't know if it shall be successful, but that company is risking over $10 million, hoping to remain American producers of tempered glass, providing employment for workers in the United States.

There are 16 independent temperers in the United States, operating 25 plants. Most of these are small business enterprises, employing less than 300 people. Obviously, few of them can afford to invest over $10 million to equip to manufacture their own glass. Yet, they must remain in business if the American people are to have access to safety glass for use in all hazardous glazing areas.

Perhaps 40% of the volume which we independent temperers do in the construction industry is in nonstandard sizes, for which domestic sources are a must. If we are to lose the 60% of our business which standard sizes comprise, it is doubtful that more than a few of us can remain in business to continue to supply the essential nonstandard segment of the safety glass needs of America. If we raise our prices on nonstandards to carry the increased burden, we will drive most users back to nonsafety glass. If too many of our widely scattered plants close, delivery will become such a problem to people far removed from a local source that they will substitute nonsafety glass. The result in either case will be an increase in serious injuries.

Quite clearly, then, both the American people whom you represent, including you and your own families, as well as the domestic independent glass tempering industry, need the help of this Committee. Here, beyond all shadow of a doubt, exists an industry whose existence is threatened seriously by unregulated foreign competition. As legislators and as human beings, you should not allow it to be seriously injured, as it is an essential industry to the public safety.

IV. THE IMPACT OF U.S. FOREIGN TRADE POLICY ON THE PLATE AND FLOAT GLASS SECTOR OF THE FLAT GLASS INDUSTRY

The manufacture and sale of plate and float glass is a major part of the activities of the flat glass industry in the United States. The development of the float glass process has created an important potential for improving the production economics of glass like or directly competitive with plate glass, assuming that the high capital investment required can be fully utilized in full volume production.

The manufacture and sale of plate and float glass is a major part of the year, total domestic capacity for production of plate glass was equivalent to approximately 2 million tons. Since that time, float glass production facilities have been constructed and brought on stream in this country, and an increasing proportion of the production of this grade of glass is handled by the float process. Today more than 50% of the total production capacity of approximately 2.5 million tons of plate and float glass consists of float.

There have been completed or are currently under construction 16 float glass production lines in the United States representing a capital investment by the industry of more than $250 million. I have no doubt that additional float glass lines will be constructed to meet the growing demand for this type of glass. A consequence of the increase in capacity and production of float glass is the decline in the production and capacity for both heavy sheet glass and for plate glass.

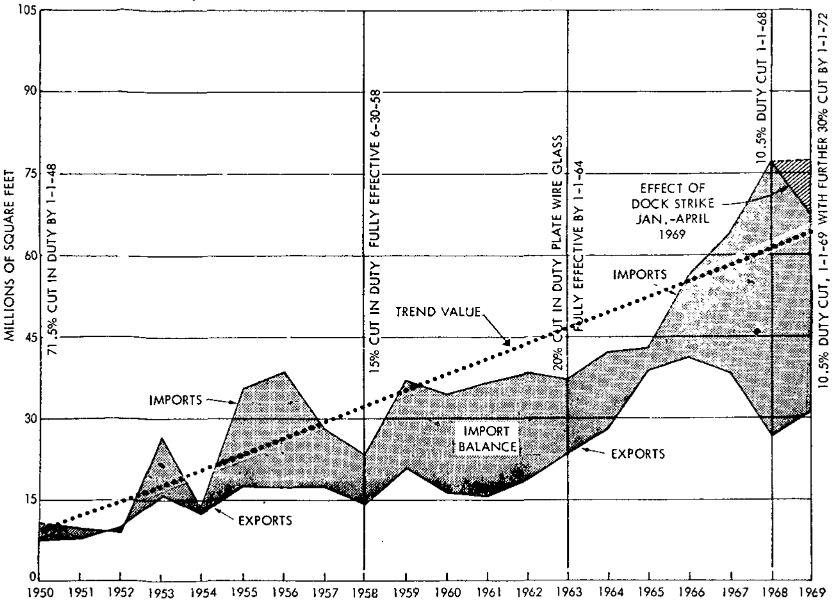
Float glass is not likely to replace sheet glass in the ordinary glazing of windows for house construction. In the near future at least, its displacement of sheet glass will most likely occur in side and rear windows for automobiles and in patio doors. Presently heavy sheet glass is tempered for such uses, and float glass will increasingly take over those markets. These represent a minor portion of the sheet glass market.

There is no question about the fact that the float glass process requires much less human effort than plate glass. The increased productivity per worker realized in float glass production will strengthen the domestic industry in meeting the competition of foreign glass in the United States market. This advantage has been considerably diluted, however, by the very deep reductions in U.S. import duties on plate and float glass.

By January 1, 1948, the U.S. tariffs applicable to plate and float glass had been cut by 71.5%. In 1956, an additional reduction of 15% was made, becoming fully effective in 1958. Effective January 1, 1964, there was a further 20% cut in duty on polished wire glass. Then in the Kennedy Round, plate and float glass duties were cut still another 50%. The post-Kennedy Round tariff will average less than 3¢ per square foot—only 14% of the statutory rate.

These successive reductions in duty have stimulated imports to such an extent that a once-favorable balance of trade has been replaced by a steadily growing deficit in our foreign trade of plate and float glass. This is shown by the following chart.

Chart 4
U.S. IMPORTS, EXPORTS, AND BALANCE OF TRADE IN PLATE AND FLOAT GLASS, 1950-1969



SOURCE: Table 3

The opinion exists that the demand and supply for float glass is growing so rapidly in the United States that the domestic industry is immune from import injury. Let me dispel that notion with the following facts:

(1) First, we are talking about a new capital investment in excess of $250 million which has been necessary to prevent sharp losses in the labor force previously engaged solely in producing plate glass.

(2) The increase in the supply of float glass has been matched by a corresponding decrease in the supply of plate glass and, to an extent, reductions in the supply of heavy sheet glass.

(3) Even though float glass production is much less labor intensive than plate glass production, it still requires considerable human effort both for the maintenance and for the operation of the float glass process, and for the cutting and packaging of the finished glass product. The low wage rates prevailing in the foreign countries producing float glass give them a competitive advantage over their American counterparts, though less dramatic than in the case of the other types of glass.

(4) This competitive advantage for foreign-produced float glass is demonstrated by the fact that the ratio of imports to domestic consumption of plate and float glass during the past 20 years has increased from an average of 2.8% during the first 5 years of the period to 4.5% during the second 5 years, to 5.4% during the third 5-year period, and to 7.0% for the most recent 5 years of the period of the past two decades. In 1968, imports accounted for 8% of the domestic market. The situation in 1969 was distorted by the practical embargo imposed on imports during the first 4 months of the year as a result of the East Coast and Gulf Port dock strike.[11]

[11] Based on data in Table 9. Appendix.

(5) The ad velorem equivalent of the post-Kennedy Round import duty on polished wire glass is only 4%, and that on other plate and float glass, only from 5% to 8%—too low to have any significant regulatory effect on imports.

In its recent escape clause investigation, two members of the Tariff Commission found that the restoration of the pre-Kennedy Round rates of duty on plate and float glass, including polished wire glass, is necessary to prevent serious injury to the domestic industry. While their four colleagues on the Commission did not agree with them, we believe it significant that that amount of recognition was given to the vulnerable position of plate and float glass to import injury.

It is a fact that average employment in the production of plate and float glass during the past five years is 5% below that during the period of peak employment, 1955–1959, and employment in 1969 was several hundred jobs below the 1965–1969 average.[12]

V. LEGISLATIVE RECOMMENDATIONS

We make the following carefully considered recommendations for your consideration.

(1) Where the Tariff Commission in an investigation has found a domestic industry to have been seriously injured by increased imports, and the Executive Branch has failed to place into effect the increase in duty or other change in import restrictions found by the Commission to be necessary to correct such injury, this Committee should incorporate in the bill which it reports an amendment which will directly place into effect the Commission's findings.

In the Tariff Commission's December 1969 report, Commissioners Sutton, Clubb, and Moore found that the domestic industry producing sheet glass is being seriously injured by increased imports and that an increase in the Column 1 rate of duty in the Tariff Schedules of the United States applicable to sheet glass to that specified in Column 2 of the TSUS is necessary to remedy such injury.

A fourth member, Commissioner Leonard, found that the domestic sheet glass industry is being seriously injured or threatened with serious injury, but he did not join in the finding of the other three Commissioners because the requirement of the Trade Expansion Act that increased imports be shown to be the major factor in causing such injury was, in his opinion, not met.

But the Administration as well as the sponsors of H.R. 18970 and similar legislation agree that "the major factor" test should be eliminated. Accordingly, the Commission's report represents a finding by four of the six Commissioners that the domestic sheet glass industry has been serioully injured by imports of sheet glass, and this Committee should write into the Trade Act of 1970 the specific relief recommended by Commissioners Sutton, Clubb, and Moore to be necessary to remedy such injury.

(2) The findings of the Tariff Commission in an escape clause (tariff adjustment) investigation should be final, and not subject to nullification by Executive discretion.

In an escape clause investigation, the domestic industry presents its case in a goldfish bowl in which all import interests have the right to be present, to be represented by counsel, and to cross-examine the witnesses of the domestic industry. The Commission conducts a field investigation and requires the members of the domestic industry to submit detailed financial, production, and other operating information which is subject to verification by the Commission through its audit procedures and field investigation. The domestic industry is also required to make itself available through public hearings to direct questioning by members of the Commission and by counsel for all interested parties.

In these circumstances, when the Commission, after a six-month investigation, reaches a considered conclusion and makes formal findings concerning serious injury and the change in duty or other import restriction required to remedy the serious injury, its judgment shall be final. As in the case of the Commission's findings of injury in antidumping cases, the Secretary of the Treasury should be obliged upon publication of the Commission's finding to enforce the collection of the increased duties or the imposition of such quantitative limitations as the Commission finds and specifies in its report to be necessary to correct the serious injury.

In the recent sheet glass escape clause investigation, the President accepted the finding of three members of the Commission insofar as they held the domestic

[12] See Table 9, Appendix.

industry to be seriously injured by increased imports, but he ignored or set aside the interrelated portion of their finding determining that an increase in the tariff was necessary to correct such injury.

Under the procedure followed in the Executive Branch, the President bases his action not upon the report of the Tariff Commission, but, rather, upon written recommendations of the Special Representative for Trade Negotiations. The Office of the Special Representative proceeds to consider the matter de novo without significant regard to the Tariff Commission's report of its investigation. Representatives of foreign producers and governments are allowed to make ex parte representations to the Office of the Special Representative which are not made available to the domestic industry for rebuttal or cross-examination.

Unlike the goldfish bowl procedure in which the domestic industry must prove its case before the Tariff Commission, foreign interests are allowed in a star chamber proceeding to rebut, distort, and confuse the issues in a case by the submisison of information and statements which the domestic industry never has an opportunity to see, study, or comment upon.

Further, the President acts directly upon the recommendations of a member of his staff, who bases his views on further ex parte presentations by foreign interests.

This procedure is most unfair and should no longer be countenanced by this Committee. We are certain that in the sheet glass case, the President based his decision on a misapprehension of the facts as a result of the type of recommendations submitted to him under the ex parte system described above.

The Tariff Commission is a quasi-legislative body established by the Congress with the intent that it acquire and maintain expertise in conducting investigations into the effect of imports on domestic industries and employment. No similar level of expertise has been invested in the Office of the Special Representative, the President's staff or other elements of the Executive Branch which "get into the act" in watering down, explaining away, or setting aside the findings of the Tariff Commission in escape clause cases. The Committee should make a determined effort to restore credibility to the escape clause procedure. The only way to do this is to require that the findings of the Tariff Commission be final and binding upon all concerned upon their publication.

(3) By all of the criteria of market disruption and import injury that are applicable to textiles, footwear, and steel, flat glass should be included in legislation providing for the imposition of limitations upon the quantity and rate of increase in imports.

We in the flat glass industry applaud the courage and initiative of the members of the Congress who have sponsored H.R. 18970, Title II of which provides for the imposition of import quotas on textile articles and footwear, while according to the President the authority to solve the import problems in those commodity areas by inernational negotiations.

As the information presented in this statement amply demonstrates, imports of flat glass have achieved a deeper penetration of the domestic market than is the case in textile articles and steel, and a degree of penetration comparable to that which exists in footwear. Indeed, sheet glass and rolled glass imports exceed the share of the domestic market claimed by foreign-produced footwear.

We think it is just and proper that your Committee concern itself with a fair and equitable system of ground rules for guiding all interested parties, both foreign and domestic, in the rate of access which will be permitted foreign-produced articles in these import-sensitive areas of our economy. All of the criteria by which Title II of the Trade Act of 1970 ascertains the sensitivity of textile articles and footwear apply with equal or greater measure and with equal or more compelling logic to flat glass.

Further, the energetic action of the Executive Branch to negotiate an international agreement providing for similar ground rules on the exports of steel into the United States is separate evidence of our entitlement to similar consideration, since the degree of import penetration and the loss of employment in the flat glass industry are at least comparable in degree, if not greater than that which exists in the steel industry.

Accordingly, we recommend that the bill you report, if it includes the substance of H.R. 18970, be further refined to include the comparable substance of S. 864 or S. 3022 which provide for the orderly marketing of flat glass under criteria quite similar to those now contained in H.R. 18970 for textile articles and footwear.

TABLE 1.—U.S. IMPORTS, EXPORTS, AND BALANCE OF TRADE IN FLAT GLASS, 1950–69

[In millions of square feet, single strength equivalents]

	Imports	Exports	Balance of trade
1950	39.2	18.6	−20.6
1951	91.7	14.3	−77.4
1952	45.7	16.1	−29.6
1953	132.3	22.6	−109.7
1954	113.6	16.8	−96.8
1955	259.3	24.1	−235.2
1956	340.7	22.8	−317.9
1957	227.5	21.7	−205.8
1958	305.1	18.2	−286.9
1959	502.2	25.1	−477.1
1960	417.0	21.1	−395.9
1961	381.5	19.3	−362.2
1962	469.1	22.9	−446.2
1963	403.3	27.7	−375.6
1964	484.6	32.5	−452.1
1965	437.4	44.0	−393.4
1966	484.2	52.0	−432.2
1967	486.1	48.8	−437.3
1968	649.0	34.4	−614.6
1969	541.2	37.4	−503.8
1969 (adjusted [1])	620.8	37.4	−583.4

[1] Adjusted for effects of dock strike.

Note: Sheet glass converted to square feet at ratio of 1 square foot equals 1.16 pounds.

Source: U.S. Tariff Commission; U.S. Department of Commerce, Bureau of the Census: IM 146, December 1969; FT 110, annual volumes 1950–63; FT 410, December 1969, annual volumes 1950–63.

TABLE 1A.—FLAT GLASS EXPORTS AS A PERCENT OF IMPORTS, AND RATE OF GROWTH OF IMPORTS AND EXPORTS IN THE FLAT GLASS INDUSTRY, 1950–69

	Exports as a percent imports	Rate of growth 1950 (percent)	
		Imports	Exports
1950	47.4	0	0
1951	15.6	+133.9	−23.1
1952	35.2	+16.6	−13.5
1953	17.1	+237.5	+21.5
1954	14.8	+189.8	−9.7
1955	9.3	+561.5	+29.6
1956	6.7	+769.1	+22.6
1957	9.5	+480.4	+16.7
1958	6.0	+678.3	−2.2
1959	5.0	+1,181.1	+34.9
1960	5.1	+963.8	+13.4
1961	5.1	+873.2	+3.8
1962	4.9	+1,096.7	+23.1
1963	6.9	+928.8	+48.9
1964	6.7	+1,136.2	+74.7
1965	10.1	+1,015.8	+136.6
1966	10.7	+1,135.2	+179.6
1967	10.0	+1,140.1	+162.4
1968	5.3	+1,555.6	+84.9
1969	6.9	+1,280.6	+101.1
1969 adjusted [1]	6.0	+1,483.7	+101.1

[1] Adjusted for effects of dock strike.

Source: U.S. Tariff Commission; U.S. Department of Commerce, Bureau of the Census: IM 146, December 1969; Ft 110, annual volumes 1950–63; FT 410, December 1969, annual volumes 1950–63.

TABLE 2.—U.S. IMPORTS, EXPORTS, AND BALANCE OF TRADE IN SHEET GLASS, 1950-69

[In millions of square feet, single strength equivalents]

	Imports	Exports	Balance of trade		Imports	Exports	Balance of trade
1950	27.8	8.6	−19.2	1961	323.6	2.6	−321.0
1951	78.9	4.3	−74.6	1962	405.7	3.0	−402.7
1952	32.1	4.6	−27.5	1963	339.5	3.4	−336.1
1953	101.7	4.7	−97.0	1964	411.1	3.6	−407.5
1954	94.7	2.9	−91.8	1965	366.6	3.4	−363.2
1955	211.5	4.6	−206.9	1966	398.7	7.8	−390.9
1956	284.5	3.4	−281.1	1967	397.3	9.2	−388.1
1957	184.5	2.2	−182.3	1968	542.0	5.8	−536.2
1958	261.6	2.6	−259.0	1969	451.1	3.4	−447.7
1959	437.1	2.8	−434.3	1969 adjusted [1]	514.5	3.4	−511.1
1960	353.9	3.7	−350.2				

[1] Adjusted for effects of dock strike.

Note: Converted from pounds to square feet at ratio of 1 square foot equals 1.16 pounds.

Source: U.S. Tariff Commission. U.S. Department of Commerce, Bureau of the Census, IM 146, December 1969; FT 410, December 1969.

TABLE 2A.—SHEET GLASS EXPORTS AS A PERCENT OF IMPORTS, AND RATE OF GROWTH OF IMPORTS AND EXPORTS IN THE SHEET GLASS INDUSTRY, 1950-69

[In percent]

	Exports as a percent of imports	Rate of growth over 1950	
		Imports	Exports
1950	30.9	0	0
1951	5.4	+183.8	−50.0
1952	14.3	+15.5	−46.5
1953	4.6	+265.8	−45.4
1954	3.1	+240.6	−66.3
1955	2.2	+660.8	−46.5
1956	1.2	+923.4	−60.5
1957	1.2	+563.7	−74.4
1958	1.0	+841.0	−69.8
1959	.6	+1,472.3	−67.5
1960	1.0	+1,173.0	−57.0
1961	.8	+1,064.0	−69.8
1962	.7	+1,359.4	−65.1
1963	1.0	+1,121.2	−60.5
1964	.9	+1,378.8	−58.1
1965	.9	+1,218.7	−60.5
1966	2.0	+1,334.2	−9.3
1967	2.3	+1,329.1	−7.0
1968	1.1	+1,849.6	−32.6
1969	.8	+1,522.7	−60.5
1969 adjusted [1]	.7	+1,750.7	−60.5

[1] Adjusted for effects of dock strike.

Source: U.S. Tariff Commission. U.S. Department of Commerce, Bureau of the Census, IM 146, December 1969; FT 410 December 1969.

TABLE 3.—U.S. IMPORTS, EXPORTS, AND BALANCE OF TRADE IN PLATE AND FLOAT GLASS,[1] 1950-69

[In millions of square feet]

	Imports	Exports	Balance of trade
1950	10.6	7.5	−3.1
1951	10.0	7.8	−2.2
1952	9.2	9.8	+.6
1953	26.7	16.0	−10.7
1954	13.7	12.3	−1.4
1955	35.5	17.9	−17.6
1956	38.7	17.8	−20.9
1957	28.4	17.9	−10.5
1958	23.5	14.4	−9.1
1959	37.1	21.0	−16.1
1960	34.7	16.5	−18.2
1961	36.8	15.7	−21.1
1962	38.4	18.7	−19.7
1963	37.3	23.4	−13.9
1964	42.0	28.0	−14.0
1965	43.0	38.8	−4.2
1966	56.0	42.4	−13.6
1967	63.6	37.9	−25.7
1968	76.7	26.2	−50.5
1969	66.9	31.2	−35.7
1969 adjusted [2]	77.2	31.2	−46.0

[1] Includes polished wire glass.
[2] Adjusted for effects of dock strike.

Source: U.S. Tariff Commission. U.S. Department of Commerce, Bureau of the Census: IM 146, December 1969; FT 110, annual volumes 1950-63; FT 410, December 1969, annual volumes 1950-63.

TABLE 3A.—PLATE AND FLOAT GLASS EXPORTS AS A PERCENT OF IMPORTS, AND RATE OF GROWTH OF IMPORTS AND EXPORTS IN THE PLATE AND FLOAT[1] GLASS INDUSTRY, 1950-69

[In percent]

	Exports as a percent of imports	Rate of growth over 1950	
		Imports	Exports
1950	70.8	0	0
1951	78.0	−5.7	+4.0
1952	106.5	−13.2	+30.7
1953	59.9	+151.9	+113.3
1954	89.8	+29.2	+64.0
1955	50.4	+234.9	+138.7
1956	46.0	+265.1	+137.3
1957	63.0	+167.9	+138.7
1958	61.3	+121.7	+92.0
1959	56.6	+250.0	+180.0
1960	47.6	+227.4	+120.0
1961	42.7	+247.2	+109.3
1962	48.7	+262.3	+149.3
1963	62.7	+251.9	+212.0
1964	66.7	+296.2	+273.3
1965	90.2	+305.7	+417.3
1966	75.7	+428.3	+465.3
1967	59.6	+500.0	+405.3
1968	34.2	+623.6	+249.3
1969	46.6	+531.1	+316.0
1969 adjusted [2]	40.4	+628.3	+316.0

[1] Includes polished wire glass.
[2] Adjusted for effects of dock strike.

Source: U.S. Tariff Commission. U.S. Department of Commerce, Bureau of the Census: IM 146, December 1969; FT 110 annual volumes 1950-63; FT 410, December 1969, annual volumes 1950-63.

TABLE 4.—U.S. IMPORTS, EXPORTS, AND BALANCE OF TRADE IN CAST AND ROLLED GLASS, 1950-69

[In millions of square feet]

	Imports	Exports	Balance of trade
1950	0.8	2.5	+1.7
1951	2.8	2.2	-.6
1952	4.4	1.7	-2.7
1953	3.9	1.9	-2.0
1954	5.2	1.6	-3.6
1955	12.3	1.6	-10.7
1956	17.5	1.6	-15.9
1957	14.6	1.6	-13.0
1958	20.0	1.2	-18.8
1959	28.0	1.3	-26.7
1960	28.4	.9	-27.5
1961	21.1	1.0	-20.1
1962	25.0	1.2	-23.8
1963	26.5	.9	-25.6
1964	31.5	.9	-30.6
1965	27.8	1.8	-26.0
1966	29.5	1.8	-27.7
1967	25.2	1.7	-23.5
1968	30.3	2.4	-27.9
1969	23.2	2.8	-20.4
1969 (adjusted [1])	29.1	2.8	-26.3

[1] Adjusted for effects of dock strike.

Source: U.S. Tariff Commission. U.S. Department of Commerce, Bureau of the Census: IM 146, December 1969; FT 110, annual volumes 1961-63; FT 410, December 1969, annual volumes 1961-63.

TABLE 4A.—CAST AND ROLLED GLASS EXPORTS AS A PERCENT OF IMPORTS, AND RATE OF GROWTH OF IMPORTS AND EXPORTS IN THE CAST AND ROLLED GLASS INDUSTRY, 1950-69

[In percent]

	Exports as a percent of imports	Rate of growth over 1950	
		Imports	Exports
1950	312.5	0	0
1951	78.6	+250.0	-12
1952	38.6	+450.0	-32
1953	48.7	+387.5	-24
1954	30.8	+550.0	-36
1955	13.0	+1,437.5	-36
1956	9.1	+2,087.5	-36
1957	11.0	+1,725.0	-36
1958	6.0	+2,400.0	-52
1959	4.6	+3,400.0	-48
1960	3.2	+3,450.0	-64
1961	4.7	+2,537.5	-60
1962	4.8	+3,025.0	-52
1963	3.4	+3,212.5	-64
1964	2.9	+3,837.5	-64
1965	6.5	+3,375.0	-28
1966	6.1	+2,587.5	-28
1967	6.7	+3,050.0	-32
1968	7.9	+3,687.5	-4
1969	12.1	+2,800.0	+12
1969 adjusted [1]	9.6	+3,547.5	+12

[1] Adjusted for effects of dock strike.

Source: U.S. Tariff Commission. U.S. Department of Commerce, Bureau of the Census: IM 146, December 1969; FT 110, annual volumes 1961-63; FT 410, December 1969, annual volumes 1961-63.

TABLE 5.—U.S. SHARE OF EXPORTS OF FLAT GLASS FROM 14 SUPPLIER COUNTRIES TO THE WORLD, 1968

[In thousands of dollars]

Destination	Origin: Total exports from 14 countries: Value	Total exports from 14 countries: Percent of total	United States: Value	United States: Percent of Total	Belgium	West Germany	Italy	France	Japan	United Kingdom	Other
World	$224,744	100.0	$15,167	6.7	$75,624	$32,610	$22,694	$26,877	$22,068	$24,798	$4,906
United States	66,284	29.5			23,651	8,463	9,852	4,440	12,473	5,467	2.038
Belgium	4,568	2.0	172	3.8		2,667	135	1,142	(1)	51	401
West Germany	20,386	9.1	101	0.5	7,518		2,268	8,916	(1)	214	1,369
Italy	7,057	3.1	347	4.9	3,587	2,092		633	1	161	236
France	9,377	4.2	259	2.8	5,235	1,217	2,428		30	2	206
Japan	1,334	0.6	598	44.8	9	534	(1)	124		59	10
United Kingdom	6,727	3.0	192	2.9	4,104	1,313	6	1,086	(1)		26
Other	109,011	48.5	13,498	12.4	31,520	16,324	8,005	10,536	9,591	18,844	620

[1] No data recorded.

Source: U.S. Department of Commerce, Bureau of International Commerce, Market Share Reports MSR 70-90543, MSR 70-90544, and MSR 70-90545.

TABLE 6.—ORIGIN OF U.S. IMPORTS OF FLAT GLASS, 1968

[In millions of square feet]

	Sheet glass	Plate and float glass	Cast and rolled glass	Total	Percent which each area is of total
Canada	2.7	8.3		11.0	1.7
Latin America	13.5			13.5	2.1
Western Europe	367.3	44.1	10.9	422.3	65.3
EEC	277.1	40.8	9.3	327.2	50.6
EFTA	49.6	2.9	1.6	54.1	8.4
Other	40.6	0.4		41.0	6.3
Eastern Europe	51.5		4.7	56.2	8.7
Middle East	14.8			14.8	2.3
Oceania	4.9			4.9	.7
Japan	49.0	24.3	8.2	81.5	12.6
Other Asia	38.5		4.2	42.7	6.6
Taiwan	35.5		3.7	39.2	6.1
Total	542.2	76.7	28.0	646.9	100.0

Source: United Nations, "Commodity Trade Statistics 1968," series D, vol. XVIII, No. 1-23.

TABLE 7.—U.S. EMPLOYMENT, SHIPMENTS, IMPORTS, EXPORTS, AND DOMESTIC CONSUMPTION OF SHEET GLASS, 1950-69

[In millions of square feet, except employment in units]

	Employment	Shipments	Imports	Exports	Domestic consumption	Ratio of imports to domestic consumption (percent)
1950	[1] 8,623	1,243.8	27.8	8.6	1,263.0	2.2
1951	[1] 8,340	1,203.0	78.9	4.3	1,277.6	6.2
1952	[1] 7,433	1,072.1	32.1	4.6	1,099.6	2.9
1953	[1] 8,469	1,221.5	101.7	4.7	1,318.5	7.7
1954	[1] 7,757	1,118.9	94.7	2.9	1,210.7	7.8
1955	9,503	1,370.7	211.5	4.6	1,577.6	13.4
1956	9,630	1,358.8	284.5	3.4	1,639.9	17.3
1957	9,885	1,083.3	184.5	2.2	1,265.6	14.6
1958	9,011	963.2	261.6	2.6	1,222.2	21.4
1959	11,442	1,362.1	437.1	2.8	1,796.4	24.3
1960	10,283	1,091.1	353.9	3.7	1,441.3	24.6
1961	9,979	1,098.1	323.6	2.6	1,419.1	22.8
1962	10,922	1,244.1	405.7	3.0	1,646.8	24.6
1963	10,657	1,341.4	339.5	3.4	1,677.5	20.2
1964	10,938	1,319.0	411.1	3.6	1,726.5	23.8
1965	11,018	1,320.8	366.6	3.4	1,684.0	21.8
1966	10,365	1,192.6	398.7	7.8	1,583.5	25.2
1967	9,783	1,076.1	397.3	9.2	1,464.2	27.1
1968	9,736	1,166.2	542.0	5.8	1,702.4	31.8
1969	[2] 9,068	[1] 1,160.7	451.1	3.4	1,608.4	28.0
Adjusted, 1969 [3]	[2] 9,068	1,097.3	514.5	3.4	1,608.4	32.0

[1] Estimated based on 1955 ratio of shipments per employee.
[2] Estimated for the industry based on actual employment data of domestic producers participating in this appearance.
[3] Adjusted for effects of dock strike.

Note: Data are in single strength equivalent square feet, converted at the ratio of 1 square feet equal 1.16 pounds.

Source: U.S. Tariff Commision; U.S. producers' data.

TABLE 8.—U.S. EMPLOYMENT, SHIPMENTS, IMPORTS, EXPORTS, AND DOMESTIC CONSUMPTION OF CAST AND ROLLED GLASS, 1950-69

[In millions of square feet, except employment in units]

	Employment	Shipments	Imports	Exports	Domestic consumption	Ratio of imports to domestic consumption (percent)
Average:						
1950-54	[1] 1,661	58.8	3.4	2.0	60.2	5.6
1955-59	[1] 994	58.3	18.5	1.5	75.3	24.6
1960-64	[1] 1,089	[1] 59.5	26.5	1.0	85.0	31.1
1965	1,129	60.1	27.8	1.8	86.1	32.2
1966	1,091	56.1	29.5	1.8	83.8	35.6
1967	1,129	49.0	25.2	1.7	72.5	34.6
1968	1,119	54.4	30.3	2.4	82.3	36.8
1969	[1] 1,078	[1] 56.1	23.2	2.8	76.5	30.3
Adjusted 1969 [2]	[1] 1,078	50.2	29.1	2.8	76.5	38.0
Average: 1965-69	1,109	55.1	27.2	2.1	80.2	33.9

[1] Partially estimated based on ctual data for domestic producers participating in this appearanee.
[2] Adjusted for effects of dock strike.

Source: U.S. producers' data; U.S. Tariff Commission; U.S. Department of Commerce, Bureau of the Census, IM 146, December 1969; FT 410, December 1969.

TABLE 9.—U.S. EMPLOYMENT, SHIPMENTS, IMPORTS, EXPORTS, AND DOMESTIC CONSUMPTION OF PLATE AND FLOAT GLASS,[1] 1950-69

[In millions of square feet, except employment in units]

	Employment	Shipments	Imports	Exports	Domestic consumption	Ratio of imports to domestic consumption (percent)
Average:						
1950-54	[2] 16,650	[2] 500.0	14.0	10.7	503.3	2.8
1955-59	[2] 19,061	[2] 716.0	32.6	17.8	730.8	4.5
1960-64	[2] 14,581	[2] 680.8	37.8	20.5	698.1	5.4
1965	18,543	831.6	42.0	38.8	834.8	5.0
1966	18,693	811.5	56.0	42.4	825.1	6.8
1967	17,326	745.9	63.6	37.9	771.6	8.2
1968	18,122	909.7	76.7	26.2	960.2	8.0
1969	[2] 17,721	[2] 904.0	66.9	31.2	939.7	7.1
Adjusted 1969 [3]	[2] 17,721	893.7	77.2	31.2	939.7	8.2
Average: 1965-69	18,081	840.5	61.0	35.3	866.2	7.0

[1] Includes polished wire.
[2] Employment and shipment figures for plate and float and for polished wire glass for the years 1950-63 and 1969 were estimated based on the ratio of data for domestic producers participating in this appearance for employment and shipment to those data in the Tariff Commission report for the same year.
[3] Adjusted for effects of dock strike.

Source: U.S. Tariff Commission, U.S. producers; U.S. Department of Commerce, Bureau of the Census: IM 146, December 1969; FT 110, annual volumes 1950-63; FT 410, December 1969, and annual volumes 1950-63.

APPENDIX 10

TITLE —. REGULATION OF IMPORTS OF SHEET AND ROLLED GLASS

Sec. 1. Sheet glass

The rates of duty specified in Column 1 for Items 542.11 through 542.98, inclusive, of the Tariff Schedules of the United States are changed by inserting the same rates as are specified for such items in Column 2 thereof. The change in Column 1 rates specified by this Section shall supersede the tariff concessions on such items heretofore granted by the United States in trade agreements. The President, as soon as practicable, shall take such action as he determines to be necessary to terminate such trade agreement concessions.

Sec. 2. Rolled glass

The rates of duty specified in Column 1 for Items 541.11, 541.21, and 541.31 of the Tariff Schedules of the United States are changed by substituting the following rates for those otherwise applicable under trade agreement concessions theretofore granted by the United States in trade agreements:

TSUS item	Article	Column 1 rate
	Glass (whether or not containing wire netting), in rectangles, not ground, not polished and not otherwise processed, weighing over 4 oz. per square foot:	
	Cast or rolled glass:	
541.11	Ordinary glass	0.625 cents per pound.
	Colored or special glass:	
541.21	Opaque and measuring over 15/64 inch in thickness	1.2 cents per pound.
541.31	Opaque and measuring not over 15/64 inch in thickness, or not opaque and of any thickness.	0.625 cent per pound plus 2.5 cents per pound.

The President, as soon as practicable, shall take such action as he determines to be necessary to modify such trade agreement concessions in accordance with the provisions of this Section.

MANUFACTURING CHEMISTS ASSOCIATION,
Washington, D.C., October 12, 1970.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The Manufacturing Chemists Association wishes to comment on Title IV of H.R. 18970, the Trade Act of 1970, which pertains to the Domestic International Sales Corporation (DISC). The Manufacturing Chemists Association is a nonprofit trade association of 169 United States member companies representing more than 90 percent of the production capacity of basic industrial chemicals within this country.

There are substantial differences in taxation systems and practices among the major industrial nations. One of the significant effects of these differences is a trade advantage for those exports accorded relatively more favorable tax treatment. Economic studies and trade analyses conducted in the chemical industry have led us to the conclusion that foreign chemical exports, in comparison with United States chemical exports, currently enjoy a trade advantage arising from more favorable tax treatment. We believe that United States industrial products, in general, are similarly disadvantaged. A conceptually perfect but impractical answer to the trade problems arising from taxation differences would be 100 percent harmonization among the tax systems and practices of all competing nations. A more practical approach in the "real world of international business" is to adopt measures within United States control and to negotiate those not within United States control so as to make U.S. goods more equivalently competitive. We urge this approach.

The present United States system of taxation of foreign source income places United States industry at a competitive disadvantage with foreign industry in leading exporting nations. This serves to discourage existing exporters from increasing efforts to expand exports, as well as deter others from entering the export market. Many businessmen view export markets as purely secondary. Accordingly, it is our considered opinion that the Internal Revenue Code and regulations thereunder should be changed to at least equate the tax burden on exports with that of other leading exporting nations.

The DISC proposal contained in Title IV of H.R. 18970 is designed to eliminate the disadvantages outlined above and to encourage export operations of American manufacturers by providing for a deferral of Federal income tax on export profits of domestic manufacturers.

The DISC proposal would permit the deferral to be accomplished through a domestic international sales corporation which would act as an intermediary to defer tax on its export profits. In order to qualify as a DISC, 95 percent of a corporation's gross income would have to be derived from export sales and related export activities, which would include interest received on loans made by the DISC to its parent to finance export manufacturing facilities, and also dividends received from its foreign subsidiaries principally engaged in marketing DISC exports. In addition to the income test, an asset test would be prescribed—95 percent of the assets of the DISC would have to be export-related, such as working capital, plant, obligations issued or guaranteed by the export-import bank, or F.I.C.A., stock or securities of controlled foreign corporations engaged in marketing DISC exports, and obligations representing loans to the domestic producers for the financing of export manufacturing facilities.

Basically, the proposal would exempt from Federal income tax the retained earnings of a DISC so long as it met the prescribed qualifications outlined above. Those earnings only would be taxed at the time they are distributed as a dividend, when the corporation is liquidated, or upon the sale of the stock of the corporation by its parent. The DISC would be treated as a foreign corporation in many respects so that its dividends would not qualify for the dividends received deduction but would be treated in a manner similar to dividends from a foreign corporation. The foreign tax credit would be allowed on these distributions to the same extent as allowed for dividends of foreign corporations.

The Manufacturing Chemists Association wholeheartedly endorses the DISC proposal as contained in H.R. 18970. We firmly believe that it should result in the expansion of exports from the United States and should attract domestic manufacturers not now engaged in exports to enter the export market.

The chemical industry is highly captial intensive, and plant complexes must be sufficiently sizeable to be economical. Therefore, there are advantages in centralizing facilities in one location, together with related technical and research personnel to satisfy various market locations. Assuming equality of tax climate in the United States, the economics of scale and consolidation of management and technical support, resulting from large integrated chemical complexes here, can outbalance the present benefits of dispersed overseas investment. The DISC proposal, if adopted, would assist in neutralizing tax burdens as a factor in the investment decision whether to locate a new facility in a foreign country or in the United States.

For the foregoing reasons, the Manufacturing Chemists Association strongly urges your Committee to act favorably with respect to the DISC proposal contained in Title IV of the Trade Act of 1970.

Sincerely,

W. J. DRIVER.

NATIONAL ASSOCIATION OF WOOL MANUFACTURERS,
Washington, D.C., October 12, 1970.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The enclosed testimony by Morton H. Darman, Chairman of the Board of Directors of this Association, in support of H.R. 16920 was presented before the Committee on Ways and Means on May 20, 1970. We respectfully request that it be included in the record of the Finance Committee's current hearings on H.R. 18970, the "Trade Act of 1970."

Mr. Darman's statement before the Ways and Means Committee was made on behalf of this Association, which is the national trade organization of the wool textile industry of the United States; the National Wool Growers Association, representing the quarter million wool growers in all 50 states; and the Boston and Allied Wool Trade Associations, comprised of the wool merchants and dealers of this country.

All the reasons advanced in the enclosed statement in behalf of prompt action on H.R. 16920 apply with equal or greater validity today.

While we would have preferred the stronger provisions of H.R. 16920 relating to textile import limitations, we fully support H.R. 18970 and urge the Finance Committee to accord this bill favorable consideration in time to assure its enactment in this Congress. It is our hope that the Committee will approve H.R. 18970 as an amendment to the pending Social Security legislation, H.R. 17550.

Respectfully,

JACK A. CROWDER, *President.*

TESTIMONY OF MORTON H. DARMAN, ON BEHALF OF NATIONAL ASSOCIATION OF WOOL MANUFACTURERS, BOSTON WOOL TRADE ASSOCIATION, AND NATIONAL WOOL GROWERS ASSOCIATION

Mr. Chairman and Members of the Committee, my name is Morton H. Darman. I appear here today as Chairman of the Board of the National Association of Wool Manufacturers, 1200 Seventeenth Street, N.W., this city. I am president of The Top Company, 470 Atlantic Avenue, Boston, Massachusetts, a manufacturer of wool tops.

The Association is the national trade organization of the wool textile industry. Its members manufacture more than 70% of the textiles made in the United States on the woolen and worsted systems, except carpets and rugs. The Boston Wool Trade Association, representing almost all the wool dealers of this country, is an affiliate of our Association.

I am also speaking on behalf of the National Wool Growers Association, which represents the quarter million producers of raw wool in the United States.

The wool textile industry is situated principally in the southeastern, New England, and Middle Atlantic states, although there are mills in 32 of the 50 states. Wool is grown in all 50 states of the Union, principally in the Rocky Mountain states, Texas, California, and certain of the midwestern states.

The wool manufacturing industry of the United States provides the only market for domestically produced raw wool. The welfare of the wool growing industry is therefore directly related to the health of the domestic wool textile industry. In this connection, I should point out that Congress in enacting and extending the National Wool Act of 1954 has declared that production of raw wool in the United States is essential to the national security; but wool has no security value unless the capacity exists within this country to manufacture it into usable textile products.

Mr. Chairman, we concur in the statements which have been made here by Mr. McCulloch and Mr. Dent and fully support their conclusion that a comprehensive all-fiber solution to the textile import problem is urgently needed. And while I represent the segment of the textile industry which has been most severely damaged by imports—wool—I do not intend to burden the Committee with statistics beyond reminding you that imports of wool textiles and apparel now exceed one-third of United States production, more than twice the level existing as recently as 1961, and that these imports in 1969 contributed $391.5 million to this country's balance of trade deficit, also more than double the 1961 figure.

Secretary Stans, in his testimony before this Committee last week, has made the case for reasonable quantitative controls on textile imports. We believe such controls can best be achieved by prompt enactment of H.R. 16920. I will therefore confine my remarks to an explanation of why we believe such prompt enactment of this legislation is necessary and why we believe any undue delay would only serve to defeat the Administration's declared objectives in the textile area.

WITHOUT CONGRESSIONAL ACTION, U.S. EFFORTS TO NEGOTIATE VOLUNTARY AGREEMENTS HAVE BEEN NONPRODUCTIVE

First, Mr. Chairman, given the present attitude in the Orient we believe it only remotely possible for the Administration to negotiate, within a period of weeks, a comprehensive solution to the textile import problem. This would in the first instance require a turn-around in position on the part of the principal exporting nation, Japan, which completely rejected United States proposals for such a solution in an Aide-Memoire delivered last March 9. This Aide-Memoire was released to the press in Tokyo, and is attached as Exhibit A to my statement. Mr. Chairman, some have said it is notable chiefly for its arrogance. I consider it to be notable chiefly for its clarity.

It should be recognized also that, while a comprehensive textile bilateral with one country—even if it could be achieved—would represent progress, it would not provide the needed solution to this problem. Imports from other exporting nations must also be controlled.

We are not aware of any progress whatsoever by the Administration in achieving a negotiated solution to the textile import problem. Nor could any of the Administration witnesses here last week provide this Committee with evidence of any progress. They did, however, admit that the movement in the Congress—and specifically these hearings—had contributed to the coming about of whatever it is that gives rise to their encouragement.

Therefore why, we must ask, should not this Committee and the Congress give prompt and favorable consideration to H.R. 16920, to assure that the job can be done before it is too late?

H.R. 16920 PROVIDES FOR NEGOTIATED VOLUNTARY AGREEMENTS

We resent very deeply the less than forthright descriptions of this bill by many of its opponents who apparently have read only that portion which would impose quantitative limitations on imports of textiles and leather footwear at the average 1967–1968 levels. Considering the growth of such imports in recent years, these are indeed very generous levels. But what the bill's opponents fail to note or, more probably, what they fail to disclose to the public, is that even these generous levels can be superseded by international arrangements. And these arrangements are only circumscribed by the requirement that they be such as to foster the maintenance and expansion of economically strong textile and footwear industries in the United States and to avoid disruption of domestic markets. We are certain these are the kinds of arrangements President Nixon and his Administration have been seeking, without success. We applaud them, particularly Secretary Stans who has worked so dilegently on this matter, but the fact remains they have not succeeded. We believe prompt enactment of H.R. 16920 will provide them with the negotiating posture they now so sorely lack.

THREAT OF RETALIATION EMPTY

United States textile import policies have been, and under H.R. 16920 would remain, so generous relative to those of other GATT members that "retaliation" and "compensation" can surely be avoided by vigorous presentation of the American case to our trading partners.

In view of the subsidies being paid on textile exports to the United States, the non-tariff trade barriers raised against United States textile exports around the world, and the bilateral textile agreements between foreign nations which force additional exports onto the United States market, the real questions are these: Why does not the United States Government invoke our right of retaliation? Why does not free trade mean fair trade?

In any event, there is a distinction, in practice, between violating the rules of the GATT and invoking its provisions with respect to retaliation and compensation. Retaliation and compensation enter when the value of the concessions granted a party has been nullified or impaired by the illegal action taken. This is to say, *the GATT has not authorized retaliation or called for compensation unless the action in question has had an adverse effect on the trade of the complaining country, since, as a practical matter, it would be impossible to assess the amount of compensation or retaliation in the absence of trade effects.*

It is only if the import quota has the effect of impairing the value of a tariff concession—if the trade flows involved were adversely affected—that there would be a basis for a material grievance.

Since what is contemplated is the negotiation of agreements under which some growth in imports would be allowed if growth occurs in the United States market, the United States Government would have a strong basis, both in GATT law and practice, to defend against any action by the Contracting Parties calling for compensation and retaliation.

WORLD'S HIGHEST PRODUCTIVITY OUTDISTANCED BY WAGE DISPARITY—TIME NOT IN FAVOR OF CLOSING THE GAP

As Secretary Stans pointed out last week, we in the United States pay our textile employees about $2.38 an hour, exclusive of fringe benefits, compared with about $.53 an hour paid to Japanese workers. I might add parenthetically that there are other Oriental countries where textile wages are much less even than those paid in Japan. In any case, Japanese textile wages thus come to about 22% of the American standard. Yet, according to official estimates prepared and published in July 1969 by the Economic Planning Agency of the Japanese Government, the average large Japanese textile enterprise's labor productivity is about 36.2% of the average for American textile mills of equivalent size. Let me emphasize again that these are official Japanese estimates, not mine.

This means, Mr. Chairman, that in spite of being three times as efficient as the Japanese, we cannot overcome their advantage of wages which are roughly ⅕ of our textile wages and ⅓ of the United States minimum wage. This wage differential is so large that we cannot hope to offset it through productivity, given the fact that everyone in the textile and apparel industries of the world has free access to new technology. And one cannot contemplate a rise in Oriental wages which would close this gap. Thus our competitive disadvantage will persist far into the future, far enough to guarantee the destruction of our textile and apparel industries as we know them today, unless reasonable restraints are put into effect on textile and apparel imports.

PROMPT ENACTMENT OF H.R. 16920 ESSENTIAL

We must confront the realities of the situation: The United States market is the only unrestricted major market for textiles in the world. Our advantage in productivity over the Orient is hopelessly outdistanced by the wage differential. An ever increasing share of textiles and apparel for the United States market is being produced abroad. And time is not on our side.

Under these circumstances, Mr. Chairman, we must have the help of this Committee and the Congress—now, before it is too late.

Mr. McCulloch has detailed for you the economic and social importance to the United States of its textile and apparel industries. We are proud of our industry, and we want to be able to contribute more in the future, both economically and socially, to this country. We believe, Mr. Chairman, that we are deserving of the help we ask.

We urge prompt enactment of H.R. 16920.

Thank you, Mr. Chairman and Members of the Committee.

EXHIBIT A

EMBASSY OF JAPAN,
Washington, March 9, 1970.

AIDE-MEMOIRE

1. Reference is made to the Aide-Memoire of the Embassy of Japan, dated February 10, 1970, and that of the Department of State, dated February 19, 1970, concerning exports to the United States of textile and apparel products of wool and man-made fiber.

2. As has been stated on many occasions, the Government of Japan is unable to accept the proposal by the Government of the United States, dated January 2, 1970, as a basis for discussion. The Government of Japan believes that the Government of the United States has already been fully informed of the views of the Government of Japan with regard to the above-mentioned proposal, but the Government of Japan wishes to reiterate its position, by way of confirmation, as follows:

(1) The above-mentioned proposal differs from the previous United States proposal dated December 19, 1969, in that it does not call for the establishment of aggregate limits and group limits. On the surface, the proposal appears to have done away with comprehensive restrictions. However, in fact, the application of the "trigger" mechanism to all items not covered by specific limits results in the setting up of category by category ceilings and, in this regard, the proposal does not substantially differ from proposals calling for comprehensive restrictions.

This point is greatly to be regretted, inasmuch as the Government of Japan has consistently taken the position that comprehensive restrictions are wholly unacceptable.

(2) The proposal represents some improvement over the December proposal in that specific limits were somewhat increased. Yet, total export limits for 1970 under the proposal amount to less than the actual level of exports in 1969. This is contrary to the views expressed by the United States representatives on frequent occasions, including those expressed by Secretary of Commerce Stans on the occasion of his visit to Japan last year, to the effect that the Government of the United States does not seek to roll back the level of past exports.

(3) The proposal calls for an agreement effective for a long and fixed term of 5 years. This is in conflict with the Japanese position that export restraints should be considered as provisional measures undertaken for the sake of expediency until such time as the United States Government is in a position to resort to Article 19 of the GATT.

3. The basic views of the Government of Japan concerning ways and means for the solution of this issue are as follows:

(1) The Government of Japan can implement export restraints only on a selective basis, solely for those items which are subject to serious injury or threat of serious injury caused by increased imports, and only upon obtaining the understanding of the domestic industries concerned in Japan and following the consent of the major exporting countries.

(2) However, the normal manner to deal with this problem would be resort to Article 19 of the GATT by the United States. As stated in para-

graph 2.(3), in case the measures referred to in (1) above should be put into effect, they are to be considered interim measures to be employed until the United States will be in a position to resort to that Article. The Government of Japan reserves its rights under the GATT in case the United States resorts to Article 19.

(3) The Government of Japan can understand the United States position that, under Article 19 of the GATT, judgments as to the existence of injury is made, in the first instance, by the importing country. However, Article 19 provides for the holding of sufficient consultations with exporting countries concerning compensation and other matters. It is also noted that, in the United States, the existence of serious injury or the threat thereof is judged by an authoritative organ, the Tariff Commission, after careful investigation.

(4) However, the present case, where the Government of the United States is requesting that the exporting countries implement export restraints which have substantially the same trade effect as import restrictions, differs completely from normal Article 19 procedure. In this case, it is felt that it is only reasonable to ask for full consultations with the exporting countries, who are to implement the restraints, for obtaining their understanding concerning injury or the threat thereof.

4. As stated above, the Government of Japan cannot in any way accept comprehensive restrictions. However, with respect to a selective approach, it is prepared, following the basic policy of paragraph 3, above, to conduct further talks, while obtaining supplementary data and explanations from the Government of the United States. The Government of Japan proposes that the preliminary discussions in Geneva be reopened for such purpose.

5. As the Government of Japan has explained during the preliminary discussions in Geneva and on other occasions, the existence of serious injury or the threat thereof due to increased imports with respect to individual items on a selective basis, should be determined on the basis of economic factors normally taken into account, such as production, imports, prices, employment and etc. On the basis of the incomplete data and explanations thus far presented by the Government of the United States, the Government of Japan cannot but conclude that it can find no items causing or threatening to cause injury.

6. However, if the Government of the United States is able to agree to reopen the preliminary discussions in Geneva, as referred to in paragraph 4, above, and giving due consideration to the various factors to be taken into account in determining injury as enumerated in paragraph 5, above, endeavors to demonstrate injury or the threat thereof for items whose import/consumption ratios, for example, are already at a considerable high level and are also growing significantly, the Government of Japan is prepared to give careful attention and to conduct further talks thereon.

7. Also, if the Government of the United States is willing to call upon the Tariff Commission to conduct investigations, and that the Commission conducts investigations concerning the existence of serious injury or the threat hereof due to increased imports with respect to individual items, in accordance with impartial procedures including the holding of public hearings and the canvassing of the views of all interested parties, the Government of Japan is prepared to respect the conclusions of that Commission as much as possible, in its discussions with the United States.

8. The Government of Japan is of the view that, at a certain stage after discussions concerning the factual situation have progressed in accordance with the procedures set forth in paragraph 6. or 7. above, it is necessary to change to multilateral discussions to include other major exporting countries. This position has already been stated in the Aide-Memoire of this Embassy, dated February 10, 1970. The Government of Japan considers it necessary that such discussions should be connected in some manner with the umbrella of the GATT.

9. When the above considerations are met, and the understanding and the cooperation of the industries concerned are secured, the Government of Japan will be prepared to implement exports restraints.

As has been stated in the above-mentioned Aide-Memoire of this Embassy, export restraints can in no case be adopted without the understanding of the industries concerned.

10. As stated in paragraph 2. above, the Government of Japan is unable to accept the proposal by the Government of the United States concerning the treatment of items other than those subject to specific limits. The views of the Government of Japan in this connection have already been expressed on the oc-

casion of the Geneva preliminary discussions of November, 1969. That is to say, if the Government of the United States considers it necessary to place restrictions on these items, it will refer the matter to a committee which is to be established beforehand and which will be made up of the United States and the major exporting countries, while submitting data indicating injury or the threat thereof. If agreement is reached at the above committee, the exporting countries are to exercise export restraint. The consultations in the committee are to be concluded within a month, as a general rule, and if agreement is not reached within this period, the United States will be free to take unilateral measures to restrict imports. In this case, however, it goes without saying that the exporting countries reserve their rights and privileges under the GATT.

11. While the Government of Japan is of the view that such matters as the duration of the restraints and the growth rate of the specific limits should be discussed in depth only after agreement is reached as to whether or not restrictions are necessary, and, if so, what items are to be subject to export restraint, its views with respect to the major elements of the United States proposal of January are set forth below.

(1) The restraints should be in effect for as short a period as possible inasmuch as export restraints are considered to be interim measures to enable the Government of the United States to resort to Article 19 of the GATT, as stated in paragraph 3·(2) above. The restraints should cease to be effective one year after the coming into effect of the new United States Trade Act or by the end of 1971, whichever comes earlier.

(2) Since restrictions are to be in effect only for a short period, the Government of Japan does not consider it appropriate to establish in advance a uniform growth-rate of the specific limits. In any case, the United States proposal to adjust the limits in accordance with the fluctuations of the United States domestic market is wholly unacceptable, because such a scheme freezes the share of imports in the years to come.

(3) The level of specific limits and growth-rates for the limits should not be determined uniformly in advance, but should be determined individually, depending on the nature of the injury caused or threatened to be caused. For this reason also, in inquiry into the existence of injury or the threat thereof for individual items should be the initial task; discussion on reasonable growth-rates can be held on the basis of the judgment or injury or the threat thereof.

COX, LANGFORD & BROWN,
Washington, D.C., October 12, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

MY DEAR MR. CHAIRMAN: The proposal on international trade now before the Congress—The "Trade Act of 1970," H.R. 18970—would alter fundamentally this country's approach to trade problems. If adopted it would threaten both the economy of the United States and its relations with its trading partners. As the President has observed, the United States is "an exporting nation rather than an importing nation"; reversion to protectionism could only be to its ultimate disadvantage.

Although H.R. 18970 was reported out by the House Ways and Means Committee after lengthy hearings, the implications and possible consequences of its final provisions are largely unexplored. The subject deserves full consideration by the Finance Committee by means of hearings in which the many new proposals in H.R. 18970 can be considered in detail.

We represent Glaverbel (USA) Inc., a company promoting the sale of Belgian flat glass to the United States. Flat glass provides a striking illustration of the issues which are involved when domestic industries seek increased protection from foreign competitors.

Domestic producers of flat glass have waged for years a series of expensive and bitter campaigns to try to immunize themselves from the competition provided by imports of flat glass. The domestic producers have alleged "injury" from imports when they know both that they were not injured and that their problems were not caused by imports. They have enjoyed unnecessary escape clause relief on sheet glass for nearly a decade, and they have unsuccessfully sought escape clause protection for other flat glass products. They have instigated a whole series of unwarranted and harassing proceedings against imports under the antidumping and countervailing duty laws. Whatever happens to the level of demand or to market prices, or to other conditions in the industry, the domestic producers blame imports.

Imports are even blamed for conditions created directly by actions of the domestic producers. When a domestic company constructs a major new plant in a different part of the country (as when PPG Industries built a new sheet glass plant in California in 1968) and thus shifts the location of its production and causes a reduction of production and employment at the old plants, the domestic producers blame imports. When the new plant does not immediately reach full production (while normal engineering bugs are ironed out) and when the structure of prices in nearby markets softens as the new domestic production is added to the supply of glass, imports are blamed. When published prices are maintained at an artificial level in the face of reductions in demand for flat glass in the U.S. automobile and construction industries and all sellers—including all major U.S. producers—begin to negotiate sales below list prices, this phenomenon is characterized as "unfair competition" caused by foreign competitors. When domestic producers respond sluggisly to an improvement in demand and consumers turn to imports to meet their new needs (as in the case of sheet glass in 1968), the domestic companies scream about "market penetration." When domestic producers shift their emphasis from one type of flat glass to another (as in the case of the rapid expansion of float glass capacity) and build the new plants in new locations using largely new employees, they encourage public officials and employees from the old locations to come to Washington to badger their Congressmen about imports. When a major domestic producer builds an obsolete plant in the face of changing technology (as American Saint Gobain did when it went into plate glass production) it tries to make imports the scapegoat for its own managerial miscalculations.

The proposals now before the Congress would encourage such actions by substantially reducing the standards whicch would have to be met before import restrictions are imposed. The mere fact of effective competition from imports would seemingly be sufficient to cause the erection of trade barriers.

Who would be the beneficiaries of making effective competition from imports more difficult? In the case of flat glass the industry is the most highly concentrated of the basic manufacturing industries in this country. Data compiled through the Census of Manufacturers shows that in 1958 four companies were responsible for 90 percent of the value of domestic flat glass shipments; and this percentage has increased each time it has been recomputed—to 92 percent in 1963 and 96 percent in 1966.

In particular sectors of the industry the concentration is even higher. *Three* companies account for nearly *100* percent of the production of *plate glass. Three* companies account for *100* percent of the production of *float glass. Three* companies account for over *78* percent of the total U.S. output of *tempered glass.* The President of one of the nation's four producers of rolled and figured glass testified before the House Ways and Means Committee on June 15, 1970 that "for all intents and purposes," his company and one other are the *only* domestic producers of rolled glass. Although the principal flat glass companies are subject to the provisions of an antitrust consent decree, this decree does not provide consumers with alternative sources of supply. Imports perform this function.

The United States markets for flat glass products need the vitality provided by such competition. In light of the highly concentrated nature of the domestic industry it is clear that restrictions on flat glass imports will have an immediate inflationary effect.

The proposals now before the Congress would largely tie the hands of the President in dealing with "escape clause" cases, denying him the opportunity to take all factors into account and make a reasoned judgment, in each case, on whether proposed restrictions would be in the national interest. One such "national interest" consideration is the probable effect of the proposed restrictions on this country's relations and trade with the other nations concerned. In the case of flat glass, Belgium is a principal supplier. In recent years, Belgium's trade with the United States has been in substantial balance. Flat glass is one of the principal products Belgium sells to the United States. Included among the principal products Belgium *purchases* from the United States are:

Value of 1960 BLEU Imports from United States

Product:	*Millions of dollars*
Nonelectrical machinery (including power-generating machinery and office machines)	$168.7
Chemicals	163.6
Transport equipment (including motor vehicles and spare parts)	106.0
Cereals and cereal preparations	42.4
Electrical machinery	40.7
Oil seeds (including soybeans)	39.2

Additional restrictions on Belgium's sales of flat glass to the United States would interfere seriously with Belgian-American trade relations—which have grown increasingly close as more and more American companies have established plants and offices in Belgium—and would make Belgium less able to purchase American products. It can be assumed that a reduction in Belgian exports to the United States would lead, in one way or another, to a reduction in United States exports to Belgium. Belgium would lose, but so also would the American industries for which Belgium is an important market.

In view of these considerations, we urge that the Committee on Finance reject the wholesale modifications in the existing escape clause procedures which are proposed in H.R. 18970. At a minimum these proposals should be the subject of full consideration, both before the Committee and on the floor of the Senate.

Respectfully submitted.

COX, LANGFORD & BROWN,
Attorneys for Glaverbel (USA) Inc.

STONE, GLASS AND CLAY COORDINATING COMMITTEE,
Washington, D.C., October 12, 1970.

Hon. RUSSELL B. LONG,
Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: On behalf of our seven International Unions, I would like to convey to you our support for Senate amendments 925 and 1009, which amend H.R. 17550 by incorporating H.R. 18970.

Our seven Unions are plagued by unregulated imports causing considerable unemployment in distressed industries such as pottery, ceramic tile, sheet glass, potash, stone, glassware, plus "dumped" imports of cement and television sets.

The bill is a vast improvement over the 1962 act and is badly needed to restore some equity to U.S. Trade Policy.

We, of course, will be striving for some refinements when the bill reaches the Senate floor, especially in the escape clause and the DISC sections.

Sincerely,

HOWARD P. CHESTER,
Executive Secretary.

STATEMENT OF POSITION, STONE, GLASS AND CLAY COORDINATING COMMITTEE

Mr. George M. Parker, President, The American Flint Glass Workers Union of North America.

Mr. Lee W. Minton, President, The Glass Bottle Blowers Association of the United States and Canada.

Mr. Lester Null, President, The International Brotherhood of Operative Potters.

Mr. Felix C. Jones, President, The United Cement, Lime and Gypsum Workers International Union.

Mr. Ralph Reiser, President, The United Glass and Ceramic Workers of North America.

Mr. Robert Kurtz, President, The United Stone and Allied Products Workers of America.

Mr. Harry Baughman, President, The Window Glass Cutters League of America.

STONE, GLASS AND CLAY COORDINATING COMMITTEE,
LEE W. MINTON, Chairman.
HOWARD P. CHESTER, *Executive Secretary.*
REUBEN ROE, *Secretary-Treasurer.*

Mr. Chairman and Members of the Committee: Our Stone, Glass and Clay Coordinating Committee is composed of seven International Unions, all affiliated with the AFL–CIO, who have joined together to cooperate on mutual problems that affect any one of our seven affiliates. We have a combined membership of 250,000 workers, with active locals in almost all of the fifty states.

We have a direct concern in U.S. trade policy and appreciate this opportunity to express our views on this vital subject. As previously announced, you are considering the President's Trade Act, introduced November 19, 1969; Chairman Mills bill, H.R. 16920, introduced April 13, 1970; and other legislation on trade pending before the Committee such as the Fair International Trade Act.

We have analyzed the bills named above, and with the exception of the Fair International Trade Act, we feel the proposed legislation can be compared to applying a band-aid to a gaping, mortal wound. Only a small portion of the problem is taken care of, and many, many industries excluded from any help are supposed to lay over and play dead until the date for their funeral has been assigned.

We, nor the Labor movement as a whole, do not intend to stand on the side lines as spectators in the liquidation of industry after industry and the jobs of American workers who work in these industries, to the all consuming appetite of the powerful free trade, global, multinational corporations, whose only concern is the profit motive and could care less about working people, U.S. or foreign.

You may say that is a rather harsh position to take, however, in all of the testimony I have read on "private foreign investment" given before subcommittees of Ways and Means (1958), Foreign Affairs (1969), any mention of the effect on American labor was either scarce or non-existent. What conclusion do you reach? There is no concern for labor, only as a cost of doing business and if labor can be found elsewhere in the world at lesser cost, move to that area and establish facilities to take advantage of lower labor costs and increase profits. This is the present corporate philosophy; global production, global markets, earnings returned or reinvested as they desire is their wish, concurred in by our Government who guarantees loans, legislates corporations (OPIC), urges foreign investment as a foreign policy instrument.

Under this policy who suffers? Labor suffers! Capital is mobile while labor must stay within the boundaries of the U.S. and watch their employment exported to the 130 other nations in the world, where only 37 have a democratic form of government. Labor has great cause for concern and this concern is being voiced by organized Labor's parent body the AFL–CIO, Departments of the AFL–CIO such as the IUD, MTD, as well as many International Unions stressing the need for "fair" trade as opposed to "freer" trade, and that priority be given to maintaining employment in this country and immediate consideration to put a halt to unregulated imports and foreign investment.

Most of us were born in this country, are raising families, paying taxes, have served our Country when called, sincerely believe we live in the best country in the world—but we do not believe in the present policy of exporting American jobs—a policy promoted by the Executive Branch and global corporations under present U.S. trade policy and foreign investment practices.

The Congress, our only hope, is showing great concern with our foreign trade policies, and bills have been introduced to establish import quotas on specified products, to amend the Trade Expansion Act, to amend the Anti-Dumping Act, to provide for orderly marketing, to amend the Fair Labor Standards Act of 1938, to establish ceilings and if penetrated, quotas under the Fair International Trade Act. Since it is imperative for the Congress to have the accurate facts at their disposal so they can regulate foreign commerce and preserve this nation's economic well-being, let's examine the facts.

PRIVATE FOREIGN INVESTMENT

U.S. foreign investment—and, as a substantial part of this category, U.S. private foreign investment—must be given full consideration as an inseparable part of our foreign trade policy. The following Chart "A" will serve to show the astounding increases in our U.S. foreign investments; Chart "B" the area distribution of U.S. direct private foreign investments; Chart "C" the industry distribution of U.S. direct private foreign investments. (The sources of information for Charts A, B and C were the 1958 Hearings by the Subcommittee on Private Foreign Investment, and the Department of Commerce "Survey of Current Business," September, 1967 and October, 1969.)

CHART A—UNITED STATES PRIVATE INVESTMENT ABROAD

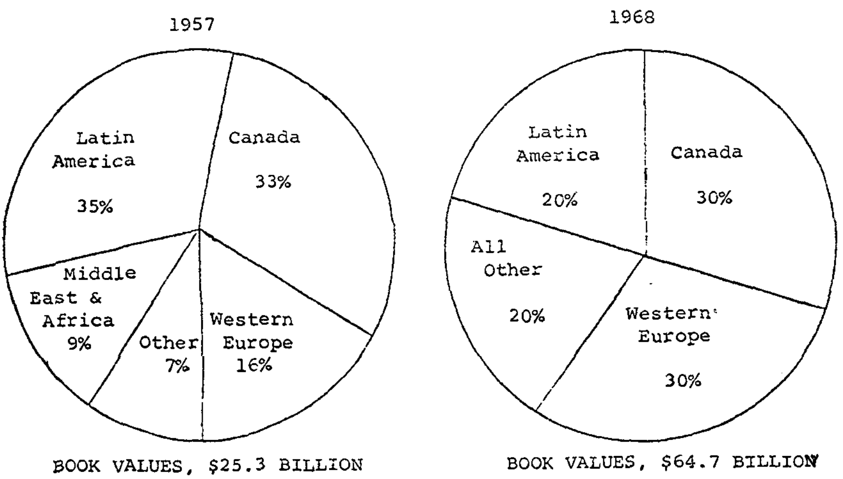
[Millions of dollars]

	1950	1957	1966	1968
Private investments	$19,004	$36,812	$86,235	$101,900
Long term	17,488	33,588	75,565	88,930
Direct	11,788	25,252	54,562	64,756
Portfolio	5,700	8,336	21,003	24,174
Short term	1,516	3,224	10,670	12,970

In Chart "A" we find that total U.S. private investment abroad in 1968 has increased by 436 percent over the 1950 figure of $19.0 billion. In all divisions of private foreign investment, comparing 1950–1957–1966–1968, there have been tremendous increases in the holdings of U.S. companies and private investors abroad.

CHART "B"

AREA DISTRIBUTION OF
U.S. DIRECT PRIVATE FOREIGN INVESTMENTS



In Chart "B" comparing the area distribution of direct private foreign investment for 1957 with 1968 we find that considerably more investment dollars went into Western Europe, with a 14 percent increase, so the investment flow is to the developed countries, in Western Europe and to Canada, while the less developed and underdeveloped countries in Latin America, Africa and the Middle East dropped considerably in investments to their areas. And this happened despite the emphasis, stated in the 1958 Hearings, on the necessity of changing the private investment pattern to encourage more flow to Latin America, Middle East and Africa to deter the Soviet economic offensive in those areas.

CHART "C"

INDUSTRY DISTRIBUTION OF
U.S. DIRECT PRIVATE FOREIGN INVESTMENTS

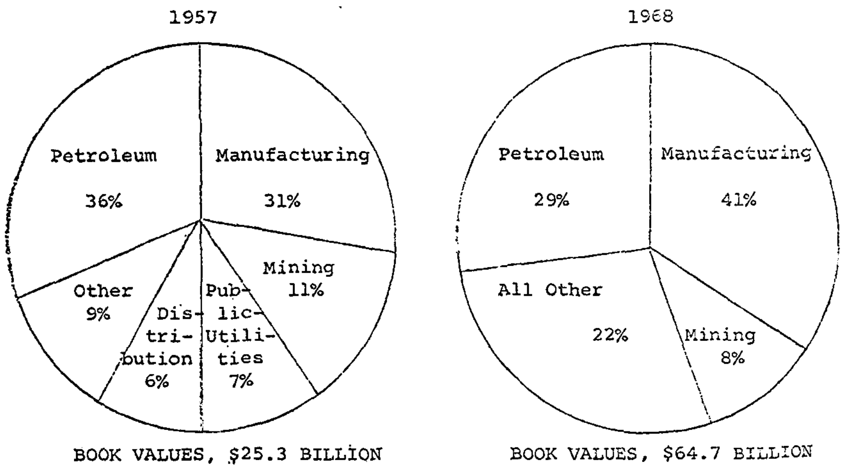


Chart "C" compares the industry distribution of U.S. direct private foreign investments in 1957 with 1968. You will note a strong upward thrust in manufacturing investment, a 10 percent increase over 1957, a decline in petroleum and mining. Manufacturing leads all other industry investment with a 1968 foreign total of $26.3 billion in all areas, while petroleum is in second place with $18.8 billion.

The three charts which show the increases in U.S. private foreign investment bear out a prediction made by Mr. Robert M. Mitchell, Vice President of the Whirlpool Corporation, in Hearings held on the subject of private foreign investment by the Subcommittee on Foreign Trade Policy, December 1958. After Mr. Mitchell's testimony, questions were asked by Congressman John W. Byrnes:

"Mr. BYRNES. As I gather the basis of your concern here, among other things, is the fact that you foresee a necessity as far as American business is concerned to shift from an export business to manufacturing abroad, an investing and going through the manufacturing process abroad; is that right?

Mr. MITCHELL. That is correct, Mr. Byrnes.

Mr. BYRNES. Do you attribute that trend in part to this common market trend, the European Common Market and the proposals for a common market in other areas? Is there any other factor that gives rise to that?

Mr. MITCHELL. Basically that is it, Mr. Byrnes. In many of the Latin American countries at the moment for practical purposes it is impossible to export particularly consumer durable goods. There is a rising nationalism in many of these countries, and they are trying to industrialize, and to raise their standard of living. So that American companies, if they are going to have a part of that market at all, must invest in some form or other.

Mr. BYRNES. You don't see a great future then as far as the export of finished commodities from this country. You see that contracting, I gather, and an increase in manufacturing abroad and with foreign labor?

Mr. MITCHELL. I think that is the way it will happen, yes, sir.

Mr. BYRNES. Great emphasis has been put on the fact of the importance of the trade-agreements program and all of the rest of it, and the increase in our exports, and the developing of this freer trade. I gather that you would suggest at least by your testimony that we may be getting into a period where that is going to be reversed?

Mr. MITCHELL. I think that that is quite right, sir.

Mr. BYRNES. That is all."

This prediction of increasing investment abroad and the decrease in the export of finished commodities from this country has come to pass. This increased foreign capacity can only serve to decrease our exports and increase our imports, and since capital is mobile and labor is not, the result has been loss of American jobs and loss to those American industries that do not choose to move or that do not have the capital to make such a move.

Many of these global corporations are showing their concern against any restriction to their access to the U.S. market. They recognize that free access to U.S. markets is in their corporation interest; they want to invest abroad, enjoy the markets and low-wage labor; and they also want to enjoy the U.S. market from abroad, in some cases in direct competition with their domestic operation or other domestic producers of the same product.

As stated by former Assistant Secretary of Commerce, William H. Chartener, "Efforts to improve the U.S. foreign trade balance are being hampered by growing competition from U.S. corporate affiliates abroad." (Washington Post, September 26, 1968.)

The time has come for a re-evaluation of this expanded investment program in terms of the U.S. economy, employment, outflow of capital, loss of revenue to the United States and effect of imports on U.S. industry and labor.

BALANCE OF TRADE

The table on the following page shows the real figures that must be used to evaluate the U.S. position in trade. Contrary to the wide spread opinions and published figures showing trade surplus, to properly figure where we really stand on balance, two considerations must be accounted for; (1) our imports figured on a c.i.f. basis instead of f.o.b. and (2) our exports must exclude U.S. Government subsidies on agricultural exports such as P.L. 480, Food for Peace, etc.

BALANCE OF TRADE, 1960–69

[In billions of dollars]

	Total exports (1)	Less Government financed exports (2)	Commercial exports (3)=(1)−(2)	Total imports f.o.b. (4)	Estimated imports c.i.f.[1] (5)	Overall balance (6)=(1)−(4)	Commercial balance (7)=(3)−(5)
1969	37.4	2.2	35.2	36.0	39.0	+1.4	−3.8
1968	33.0	2.9	30.1	32.0	34.7	+1.0	−4.6
1967	30.9	2.8	28.1	26.8	29.0	+4.1	−.9
1966	29.4	2.7	26.7	25.6	27.7	+3.8	−1.0
1965	26.7	2.6	24.1	21.4	23.2	+5.3	+.9
1964	25.7	2.8	22.9	18.7	20.3	+7.0	+2.6
1963	22.4	2.6	19.8	17.1	18.5	+5.3	+1.3
1962	21.0	2.1	18.9	16.4	17.7	+4.6	+1.2
1961	20.2	1.7	18.5	14.5	15.5	+5.7	+3.0
1960	19.6	1.6	18.0	14.7	15.7	+4.9	+2.3

[1] Imports including the cost of insurance and freight; derived by adding factor of 8.3 percent to f.o.b. (freight-on-board) figures.

Source: Survey of Current Business.

The official valuation of U.S. imports is based on foreign value of the merchandise abroad prior to shipment, and therefore, excluding ocean freight and insurance charges. The major alternative method in use by most other countries is referred to as c.i.f. valuation; to the value of the goods in the country of origin is added the cost of ocean freight and insurance involved in shipment to the importing country. The resulting reported value of imports is thus higher than the foreign value by the amount of ocean freight and insurance.

Government subsidies have a tremendous effect on U.S. trade statistics; to reflect a true figure for calculating a surplus or deficit in trade, subsidies must be considered. In order to find the true figures of our exports that move in commercial competition or for dollar sales, we must know the breakdown of the subsidized products and shipping costs paid for by the U.S. Government. These figures are shown in column 2, page 10.

The table on page 10 clearly shows that the U.S. has sustained sizeable deficits in the trade account in the last four years, 1966–1969, contrary to the published figures misleading the public into believing we have been in surplus for this four year period and that we were in far greater surplus position in the years prior to 1966 than we actually were.

Our trade statistics should truly show our position in trade, so that trade policy decisions can be based on accurate figures, and not figures that undervalue imports and overvalue exports.

EFFECT ON LABOR OF U.S. TRADE POLICY

All working Americans are affected by United States trade policy; our Nation requires maximum employment and healthy industries to maintain a healthy economy, and without a healthy economy our position as a world power and leader of the free world will quickly deteriorate, and just as quickly be replaced by another country less generous than the United States.

The tremendous rise in American investment and transfer of technology abroad, added to rising capacity of foreign firms—with the resulting decrease in exports and increase in imports—eliminates existing jobs and job potential, and reduced domestic industry's capacity to operate at a healthy level and properly share in our country's growth.

Most industries are willing to share in the growth of U.S. markets with the foreign producers, but they are not willing to have this growth completely absorbed by imports or to have present productive capacity and employment displaced by imports.

With 41 percent of direct private foreign investment or $26.3 billion at the end of 1968, invested in manufacturing abroad, what effect will this have on U.S. imports and displacement of U.S. labor?

Manufactured products incorporate more steps of labor than do raw products. A manufactured product may go through a number of processes and fabrications, in each of which additional labor is applied. A raw product goes through a minimum of steps, possibly only one or two exclusive of transportation. Semi-manufacturers fall into a halfway slot between raw products and finished manufactures. Let's look at the trend in manufactured products shown in the following table.

DATA PERTINENT TO MANUFACTURED PRODUCTS

[Dollars in billions]

	1960	1969	Average annual rate of growth 1960–69 (percent)
U.S. exports (f.a.s.)	$12.6	$26.8	8.8
U.S. imports (f.o.b., origin)	$6.9	$23.0	14.9
Manufactured product content of GNP	$140.9	$228.9	5.6
Ratio, exports to domestic products (percent)	8.9	11.7	
Ratio, imports to domestic product (percent)	4.9	10.0	

Source: Derived from data in tables C–9 and C–86, appendix C, Annual Report of the Council of Economic Advisers to the President, 1970; U.S. Department of Commerce, Survey of Current Business, February 1970, table 7, p. 9.

As shown by these data, U.S. imports of manufactures are growing at an average annual rate nearly three times that of the growth of manufactured products in the Nation's GNP. Furthermore, the import penetration of manufactured products has doubled during the decade of the 1960s while U.S. exports of manufactures increased by less than one-third.

If U.S. imports were valued in accordance with the practice of virtually all other developed countries, on their c.i.f. value, it would be seen that the value of imports in 1969 equaled or exceeded that of U.S. exports. A favorable trade balance of more than $5 billion in manufactured products has been virtually erased during the decade of the 1960s.

In our group of seven International Unions who represent members in industries that produce labor intensive products; the displacement of jobs has been tremendous and certainly points out what happens to labor when imports of manufactured products penetrate to the extent they have in the 1960s. Our seven Unions are concerned with products that are extremely import sensitive, products such as; pottery, ceramic tile, illuminating and table and art glassware, cement, potash and flat glass. We are not alone in our concern, many other industries and unions are showing their concern.

We submit that for labor-intensive industries to compete with the like product produced in foreign countries, who have our technology and production system, plus a lower wage structure, can only be destructive to our U.S. economy.

How destructive? Let's look at the pottery industry where since 1954, twenty-one plants have closed their doors, where employment has dropped from 12,000 workers to 3,600 workers, yet imports have really invaded the domestic market, taking 90% of the chinaware and 40% of the earthenware markets—where foreign value of chinaware and earthenware imports in 1954 was 19.2 million and has now reached in 1969 the astounding figure of 93.3 million dollars—with Japan far in the lead as the source of imports.

This is only one striking example; we have glassware plants who have closed their doors, sheet glass plants, cement plants, ceramic tile plants—with many plants that are still operating, working at greatly reduced capacity and many workers laid off. Other industries have been similarly affected; electronics, textiles, shoes, steel, toys, handbags, gloves, etc., to the point that a great many International Unions are joining together to voice their concern in a united fashion evidenced by conferences such as the recent Industrial Union Department on the "Developing Crisis in International Trade," the resolution passed at the AFL–CIO Convention in October 1969 on "International Trade"—so the labor movement is seriously concerned about present U.S. trade policy and is advocating changes to meet present day problems.

The U.S. must create an economic climate to strengthen U.S. manufacturing within the U.S., and also strengthen and advance the interests of the American working people.

The worker bears most of the heavy burden of the Administration's policy of severe monetary restraint, as well as the impact of rapid technological change; add to these dual impacts the further impact of excessive imports and U.S. corporations moving overseas, and you have the worker saddled with a burden too heavy to carry and one that will break down our system. Workers have great stakes in their jobs and their communities—skills that are related to the job or industry, seniority and seniority related benefits, investment in a home, in a neighborhood, schools, church, etc., and are considerably less mobile than capital or top management.

This point was made with great clarity by Deputy Under-Secretary of Labor George Hildebrand in a speech to the National Foreign Trade Council's, Labor Affairs Committee in September 1969:

"It has often been assumed that high U.S. wages and better working conditions were largely offset by high U.S. productivity and a strong internal market. Increasingly, however, the spread of skills and technology, licensing arrangements and heavy investment in new and efficient facilities in foreign lands have all served to increase foreign productivity without comparable increases in wages. The problem we have is to assure that the social and economic gains of the American worker and the purchasing power that goes with it are not undermined by competitive goods produced and exported on the basis of much lower standards which some may view as an exploitation of human resources."

LEGAL REMEDY

With our balance of trade in deficit for the last four years, 10.3 billion dollars (table, page 10) and our trade account tying in directly with our balance of payments account, which is in very serious deficit in excess of 40 billion dollars, we have become a debtor nation and our creditors mostly in Western Europe, have acquired the influence over us in the field of economic policy.

We have a legal remedy open to us as a member of the General Agreement on Tariffs and Trade (GATT), and that is to invoke Article XII of the Agreement, which authorizes a contracting party to impose restrictions on imports when necessary to prevent a serious decline in its foreign-exchange reserves and maintain equilibrium in its balance of payments.

Members imposing restrictions for balance of payments purposes under the authority of Article XII are required to consult with the contracting parties annually. A committee on Balance of Payments Restrictions represents the GATT in these consultations, in accordance with procedures established at the 17th Session of the Contracting Parties. It is also necessary to consult with the International Monetary Fund.

There is an awareness of all other countries of the United States' balance of payments deficit problem and many of these countries have invoked the GATT Agreement in their balance of payments difficulties. For example, in 1967 the following ten countries invoked the GATT Agreement: Chile, Finland, India, Indonesia, New Zealand, Pakistan, South Africa, Spain, and Tunisia.

The advantage of invoking Article XII is that other nations would not have the right to retaliate, particularly in view of the fact that in the past many countries have used the GATT Agreement to restrict U.S. imports on balance of payments grounds, and we have been agreeable to such action.

SUMMARY

The time is past due for action on the question of United States economic survival. We must ask the question, Can we survive indefinitely as a strong nation if we continue dissipating our resources and giving away our wealth to nations all over the world ?

The answer is no. For years the United States has been supplying military and economic assistance to most of the nations in the world, from 1946 through 1969 we have expended a grand total of 182.5 billion dollars; of this sum, 60.5 billion represents interest we paid on money we have borrowed to give away in this grand scheme.

Moreover, the United States public debt exceeds the public debt of all other nations of the world combined by an estimated 57 billion dollars as of December 31, 1968. With the magnitude of our present debt we cannot continue to give away our wealth, nor can we afford the substantial deficits we have been incurring in our International trade account. Not only because we need a surplus in our trade account to help make up for outflows, but with unemployment growing and less purchasing power available, the individual and corporate tax payments to Federal, State and local governments will be substantially reduced.

Our Nation must have a trade policy geared to maximum employment and healthy industries instead of the present policy geared to "freer" trade and the foreign policy illusion that we can remake continents.

We should immediately invoke Article XII of the GATT, as previously discussed under Legal Remedy.

We should proceed to regulate U.S. private foreign investment and also repeal Tariff Code 807, to prevent exportation of American jobs.

We should report our imports on a c.i.f. basis and withdraw government subsidies in reporting exports for a true picture of our trade account. (See table page 10)

Moving on the above three priority items together with responsible attention to our public debt and our serious balance of payments deficit could put the United States back in a strong economic position so necessary in our world today.

On behalf of the Stone, Glass and Clay Coordinating Committee, I want to thank you for this opportunity to express our convictions before this Committee,

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JOSEPH B. HOFFMAN,
New York, N.Y., October 9, 1970.

Chief of Counsel, Committee on Finance, New Senate Office Building, Washington, D.C.

DEAR SIR: Having just been told that the Senate Finance Committee is holding two-day hearings on the current trade bill, H.R. 18970, and that it is too late for me to orally testify before the Committee, I submit the following statement which I ask you to please include in the record:

Our Company is part of the American textile industry. We are manufacturers of woven textile fabrics which are composed of man-made and synthetic fibers. We own and operate a mill in Shippensburg (Cumberland County), Pennsylvania. Over 300 people are employed and we have provided steady employment for over 32 years. During this time no one has ever been laid off work because of poor market conditions. We are proud of this record and we would like to keep it this way.

The Committee might think that we should be quite pleased if protective quotas were legislated against import of man-made textiles. However, *this could not be further from the truth.* We feel most strongly that the current bill, H.R. 18970, The Trade Act of 1970, which sets statutory quotas on textiles, SHOULD NOT be added as an amendment to any other pending bills, and SHOULD NOT be passed into legislation. This highly protective measure could do much harm to our country. If we set quotas on foreign textiles there is no doubt that free-trading nations of the world will retaliate against us. We in the textile industry learned of retaliation in 1963 when the Common Market raised its duties against our continuous filament textile products because of American legislation against flat rolled glass and Wilton carpets. History has shown us that foreign governments retaliate. Quotas certainly are not the answer to our problems.

Our Company sells its fabrics woven of man-made and synthetic fibers to both the domestic and export markets. To us export sales are important. Many new jobs have been created because of our penetration into overseas markets. We have found that American textiles can sell in overseas markets because we have re-styled our production to meet the taste and demands of foreign buyers. We are proud to help America establish a more favorable balance of trade. Our exports of man-made fiber textiles to free nations in this world, has brought in many, many millions of dollars of foreign exchange. Our Company, like our country, is a leader in world trade. Haven't we learned a lesson since the disastrous days of the Smoot-Hawley legislation? Haven't we learned that a trade war which could start because of the textile issue could hurt America badly. We firmly believe that the avenues for free trade should be kept open. As textile manufacturers we are not crying for textile protection. We are crying out against it. We are not asking our government for assistance or protection from importation of foreign textiles, because the textile industry in this country has not been hurt so bad as one is led to believe.

Our great industry is composed of many smaller family-owned units which account for the major part of production. Companies like ours could be hurt badly in a trade war. There are certainly many other ways in which this so-called American textile problem could be solved. The legislation of a protective trade bill would be most damaging to our great free-trading nation.

Very truly yours,

JOSEPH B. HOFFMAN, INC.
RICHARD D. HOFFMAN.

P.S.—If further testimony is required I would be more than pleased to personally appear before any hearing or committee or testify at any time on this most controversial issue.

STATEMENT OF FOOTWEAR GROUP, AMERICAN IMPORTERS ASSOCIATION

SUMMARY

It would be a great mistake for this Committee to act precipitously on this legislation, without giving careful consideration to curing the grave defects of H.R. 18970.

Everything that ought to be done for sectors of the footwear industry that may be affected by import competition, can be done just as quickly under the Trade Expansion Act. A Tariff Commission investigation under the escape clause is now being made, and the report will be before the President at the end of this year. He will have power, where injury is found, to do anything he could do under Title II of H.R. 18970, but will have more tools: higher duties and adjustment assistance, not just quotas.

The Administration is strongly opposed to legislated footwear quotas, for reasons set forth in its testimony on October 9.

Amendments to the escape clause in H.R. 18970 go too far, and should not exceed the Administration's proposals.

STATEMENT

The Footwear Group of the American Importers Association consists of 26 firms who import footwear from all countries, ranging from high priced shoes from Switzerland to rubber sandals from Hong Kong. Its members account for the importation of some footwear from all sources and for a very substantial part of all imports of vinyl upper footwear.

Since we testified in the Ways and Means Committee, that Committee has reported out H.R. 18970, which is presently under study by this Committee, and on June 1, 1970, there was released a Report of the President's Task Force on Non-rubber Footwear which summarized six months of investigation of the problems of the footwear industry by the Executive agencies of the United States Government. This report was assisted by two reports of a general character rendered by the Tariff Commission in 1969. The Task Force Report found that the footwear market was in a state of rapid change, that some firms and workers have been in trouble, but that it is extremely difficult to sort out the many separate possible causes. It concluded that the facts and information available to the Task Force did not constitute a case of injury to the overall footwear industry, but that the possibility of injury to some segments required study by a body with the means to obtain the necessary information.

Accordingly, on July 15, 1970, the President requested the Tariff Commission to conduct an investigation under Section 301 of the Trade Expansion Act of 1962, with respect to the effect of imports of non-rubber footwear on the U.S. industry producing like or directly competitive products with specific reference to the women's and men's leather sectors. The hearing in this investigation is to commence on October 20, a few days from now, and the report is due about the end of this year.

If before completion of that report Congress passes legislation amending the Trade Expansion Act of 1962 and it is approved by the President, then the report will be completed under the standard of the amended law.

In these circumstances, it is very clear that there is no justification whatever for legislated quotas on footwear as provided in Title II of H.R. 18970. The Tariff Commission has available to it all the information which has been developed by the Executive agencies and by the interested organizations and firms. More to the point, it has the benefit of the questionnaires which it has sent to a large sample of companies, both on the domestic and import side. If the Tariff Commission finds that any imported articles are causing or threatening to cause serious injury to an American industry, then it will report to the President what import relief, in the form of either higher tariffs or quotas, would remedy the injury, and the President will have a complete set of options before him with respect to the remedies. He will be able to use tariffs, quotas, orderly marketing agreements with foreign suppliers, adjustment assistance, or any combination of them with respect to any products which are found to be causing or threatening to cause such serious injury. If the standards of the present law are considered to be inadequate, then the Congress can act upon the amendments which are embodied in Section I of H.R. 18970 (we hope, with modification along the lines of the Administration's proposals).

If, on the other hand, Title II of H.R. 18970 is enacted, including footwear, then the President will have a much more difficult, and at the same time more limited set of decisions to make. He will have considerable leeway in deciding what products should be exempted as not causing market disruption and what products should be exempted in the national interest (even if causing market disruption). On the other hand, the tools at his disposal will be limited to quantitative restrictions in the form of negotiated agreements with foreign suppliers and U.S. imposed quotas. He will not have available to him the possibility of using higher duties, which would be favored by all economists on the ground that they interfere far less with natural market forces.

By acting under the Trade Expansion Act, rather than under Title II of H.R. 18970, the President would be able to avoid a number of grave disadvantages to the quota scheme. These disadvantages fall into two classes: the discrimination which will seriously vex the foreign relations of the United States, and the interference with a free market which will seriously affect the domestic trade.

The need to make separate decisions on the levels of restraint for each category from each supplying country, which is the consequence of the structure of Title II of the Act, would inevitably lead to some decisions affecting trade on the ground of political and military considerations. Indeed, this would seem to be precisely what the Ways and Means Committee had in mind in giving the President the possibility of making exemptions on the ground of national interest. Governments of countries that find themselves discriminated against would hardly take it lightly.

So far as the American market is concerned, consider these possibilities. There are three ways in which the quotas could be administered: first, they could be on a first-come, first-served basis; second, they could be administered by a foreign cartel or foreign government; and third, they could be administered domestically by a system of licensing. The result could well be administration by two bureaucracies, our own and that of the supplying country, which is true today in cotton textiles. The first would inevitably lead to a scramble by importers to get their goods under the wire, resulting in unpredictability of delivery and warehousing with unnecessary costs and great confusion. The second amounts to turning over the control of American trade to foreign cartels or foreign governments. The third would give monopolistic power to the firms with historical positions in the trade. All of these courses would tend to destroy the beneficial effects of competition.

All of these disastrous consequences would be greatly magnified in the case of consumer products or with a multitude of fashions and designs. It is incredible that a country which has shunned wage and price controls as contrary to the American way in a time of severe inflation would seriously contemplate shackling the foreign trade of the United States with restrictions of this character.

All these issues can easily be avoided by omitting Title II, or at least the footwear section, giving the President the possibility of choosing among all the various remedies that can assist the footwear industry.

The idea that imports are *the* cause of distress in the footwear field is a gross oversimplification. The growth of imports is much less the cause than a result of the economic trends within the United States economy and within the industry. This is an industry of about 675 companies, producing in about 1,0000 separate establishments. There is no single description which is valid for all of it. There is an ernormous difference between the progressive successful sectors of the industry and the laggards, and it is, of course, the laggards who are caught when there is a squeeze. It is a vast rapidly changing industry, some parts of which are characterized by hand work that has not changed for many years, but much of which is dominated by new technology, use of new materials, mergers and acquisitions, and the flexible use of imports by the American producers and retailers to permit them to best serve the American public.

Some firms in the industry have been severely affected by the high cost of money, by the fact that it is a high labor input industry, and because it has to compete for labor with more technically advanced industries. There also have been many rapid style changes. In these economic conditions, there would have been severe pressure on the weaker firms in any case. This industry has always been marked by business failures. In fact, there have been fewer failures in recent years than at many times in the past.

If imports had not been available, there would have been much greater price increases in footwear than have occurred, with a consequent decline in the total number of sales, and the industry would have had great trouble in fulfilling demand. As it is, there have been many complaints in recent years of difficulty in getting deliveries from the domestic makers, because of labor shortage and other bottlenecks. Both U.S. producers and retailers have used imports flexibly as part of their product mix to serve the American public. The availability of imports has rendered a great service to the U.S. economy.

In short, the major problems of the U.S. footwear industry have been its inability to compete for labor with industries having less labor input, and the severe squeeze that has been placed on small lightly capitalized businesses by trends in the American economy, namely, the high cost of money, the high cost of labor, higher equipment costs, and higher prices. Inevitably, this has called for adjustments on the part of many businesses which could not be made easily or rapidly, and there is no desire on our part to treat these problems lightly. For the individuals and the workers concerned, they are indeed genuine problems. The approach to their solution, we believe, lies in various measures of domestic nature which the President has directed should be taken.

The situation in 1970 is, of course, severely affected by the general recession, combined with continued inflation and continued high cost of money. As soon as business activity picks up, widespread labor shortage can again be expected in the U.S. footwear industry.

There are several important categories of imports which are not directly competitive with U.S. made products.

In 1969, according to Commerce Department statistics, 90 million pairs out of the 195 million pairs of non-rubber footwear that were imported had supported vinyl uppers. Of these, 71 million were for women's and misses with an average F.O.B. unit value of 79 cents.

With respect to these articles, the Tariff Commission reported as follows in December, 1969 (Tariff Commission Publication 307, page 19):

> Footwear selling under $5 a pair is available for all members of the family in discount stores, by far the principal outlet for the low-priced shoes with the supported vinyl uppers imported from the Orient. These shoes, principally for women, misses, and children, regularly sell for $3 to $4 a pair; they are sometimes featured at about $2 a pair to attract customers

not only to the shoe department (which also sells higher-priced footwear) but to the store itself. These imports for which retailers usually place orders 6–8 months in advance of delivery are mostly sturdy, leather-like shoes for casual wear in basic styles that change very little from year to year. For persons of low income such imports provide a price line of footwear that has not been available recently from domestic production in an appreciable volume. The domestic non-rubber footwear currently retailing at less than $5 a pair consists of the type of slippers for house or leisure wear that are sold in or adjacent to hosiery department in various types of stores.

The very low-priced articles in the imports (mostly from the Orient but also some from Europe) are principally sandals and slippers retailing at 49 cents to $1.99 a pair in limited-price variety stores, supermarkets, drugstores, and small stores in low-income neighborhoods. The footwear sold in such outlets consists almost entirely of imports.

These shoes are extremely important to the people with low incomes who are the main buyers. They can be well dressed, maintain their self-respect, and stay within a reasonable budget. These products have vastly expanded the market and have by no means displaced an equal number of domestic sales. It would be a great disservice to the public to adopt measures restricting the availability of these products.

Much the same is true for sandals, which are popular, and which require a high proportion of hand labor. For that reason, they are mostly imported. Without the imports, there would have been no sandals vogue. The Tariff Commission estimates that they compose 50 percent of the women's leather footwear imports.

At the other extreme, it would obviously serve no useful purpose to impose limits on luxury footwear imports, which serve a special portion of the market with no significant competitive impact on domestic products.

When these various categories are excluded, it is evident that the impact of imports, as measured by statistics which have been produced, is easily overstated. There can be no substitute for a discriminating examination of exactly what is happening in the various sectors of this market, which the Tariff Commission, we trust, is now undertaking.

ESCAPE CLAUSE AND ADJUSTMENT ASSISTANCE

The Congress erected the framework for dealing with adjustment problems in the Trade Expansion Act of 1962. The tests for relief were rigorous, reflecting, first, the view that there had already been time for adjustment to tariff reductions made before the Kennedy Round and second, a desire to make adjustment assistance available only where increased imports resulting in major part from tariff concessions were the cause of difficulty. The conception of adjustment assistance to firms and workers was new, and it was the desire of the Congress, as the legislative history shows, to keep it within narrow limits. Times have changed and attitudes have changed. There apparently is a consensus today that the tests for relief should be liberalized.

As a matter of fact, in recent months, half of the members of the Tariff Commission have adopted a liberal construction which is already allowing the law to work much as would result from the amendments proposed by the Administration.

Decisions were handed down in June of this year in the adjustment assistance cases relating to five plants in Massachusetts producing women's footwear and one plant in Massachusetts producing men's footwear. Workers in those plants are now receiving adjustment assistance, as is the one firm that applied. It would appear that the Tariff Commission is presently split between strict constructionists and liberal constructionists. The strict constructionists believe in applying the law as it was written by the Congress in 1962, and the liberal constructionists seek to apply it as they believe the Congress would now wish to write it. It may be desirable in these circumstances to amend the law to express the present will of the Congress, but we urge this Committee not to go too far.

First, we suggest that all connection between increased imports and tariff concessions not be severed. Otherwise you should be writing general legislation dealing with problems of adjustment that arise from any causes at all within the economy. Moreover, where import restrictions are proposed, the connection with tariff concessions is required by the terms of the GATT.

Second, we urge that you not go beyond the conception of "primary" cause which is embodied in the Administration's bill. The difference between "primary" and "substantial" could open the door to a mass of applications, and would diminish the usefulness of the Tariff Commission in sifting and evaluating the grounds for relief, thus throwing the whole burden upon the President.

Third, we urge that you not adopt the conception of segmentation which is embodied in H.R. 18970, allowing relief if a portion of a company is hurt. It is precisely when only a portion of a company is hurt that you may have cases of successful adjustment, which is the objective of trade legislation. It would be folly to remove the incentive for a company to shift its production to the most advantageous products.

Fourth, the mandatory trigger points in H.R. 18970 are absurd legislation, are administratively cumbersome and capricious in effects. In the last analysis, there can be no substitute for a judgment balancing all the facts as to what can and should be done for a particular industry at a particular time. The Congress wisely created the Tariff Commission, which is comparatively insulated from political pressures, to make these dispassionate evaluations. There are no automatic standards that can be laid down that would make sense for all of the cases that can arise.

It would be a great mistake for the Congress, having enacted a law in 1962 which now appears to have been too tight, to go to the opposite extreme and open the door wide to drastic and arbitrary import restrictions, injurious to the U.S. economy and that of the entire trading world.

BRITISH-AMERICAN CHAMBER OF COMMERCE ISSUES WARNING ON TRADE BILL

The British-American Chamber of Commerce, a New York based trade association, representing over 1,200 U.S. and British firms issued a strong warning about the implications of the Trade Bill now being considered by Congress. In a statement to the Senate Finance Committee the Chamber said that a minimum of $8 billion of trade would be covered by just two of the many provisions, the trigger mechanism, which requires restriction under certain automatic standards, and the textile and footwear quotas. "Faced with new restrictions of this magnitude, the Chamber said, it smacks of more than a little naivete to dismiss the virtual inevitability of massive foreign reaction of like magnitude." The Chamber pointed out the destructive effects on U.S. export trade and the international trading system would be the same whether it was by angry retaliation in a trade war or by restrained bilateral bickering to compensate for trade losses.

The statement took issue with "the decidedly discriminatory claim that the discretionary and exempting authority would be exercised in a way which will not harm trade with most developed countries." This authority cannot be used "without doing violence to the MFN principle." But realistically, said the Chamber. domestic political considerations will dictate Presidential approval of most of the multitude of potential restrictive actions generated by the Bill, citing the 124 items covered by the trigger mechanism alone.

The Chamber characterized the myth of "Uncle Sucker" as a concept which is as false as it is degrading. The statement claimed that quantitative restrictions including voluntary restraints are applied to roughly 20% of U.S. imports. Also cited were several U.S. non-tariff barriers such as the Buy American Act, wine gallon, Jones Act and the Final List.

The Chamber challenged the claim that trade figures were manipulated. The protectionists, said the statement, claimed that any government-aided exports should be excluded from the trade balance, but then turn around and label the same type of import transactions as unfair competition. The Chamber said "that the relative spread in trade figures is going to remain roughly the same, irrespective of the method of computation, so long as it is consistent."

The Chamber concluded by asking the Committee "to stay the momentum of protectionism embodied in this Bill, look behind the myth that gave rise to it and the dangers to which it would lead. The answer is not to give the President less discretionary authority, but to give him less destructive authority."

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The British-American Chamber of Commerce, 655 Madison Avenue, New York, New York 10021, is registered with the Department of Justice under 22

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STATEMENT OF JOHN E. WARD, CHAIRMAN, MEAT IMPORTERS' COUNCIL OF AMERICA, INC.

INTRODUCTION

The Meat Importers' Council of America, Inc. (MIC) is a nonprofit incorporated trade association with over seventy-five members actively engaged in the importation, sale, handling or use of imported fresh frozen meat. We oppose H. R. 18970 and measures designed further to restrict imported meat and meat food products. We also oppose Committee amendments 925 and 1009, which would attach H. R. 18970 to the Social Security Bill, H. R. 17550.

The MIC has appeared before this Committee on various past occasions seeking to maintain a sufficient supply of imported meat and opposing measures which would curtail this badly needed source of supply. Our organization appeared at your hearings on import quota legislation during October, 1967, and also filed a brief at that time detailing the need for imported meat.

We oppose H. R. 18970 because it would represent a giant step in the direction of making the import quota a basic *modus operandi* of U. S. trade policy. Having actually existed under quota, or threat of quota, since 1965, the meat importing industry knows first-hand of the disruption and detriment which the quota can bring about.

We strenuously oppose the passage of any additional restrictive meat import legislation whether in the guise of a health measure such as S. 3942, or in the form of an outright additional quota. There have been rumors of attempts at attaching such legislation as an amendment to H. R. 17750 or H. R. 18970 through further amendment. We believe that any such action is doubly objectionable because:

(1) Objective analysis of the facts demonstrates that the national interest requires removal of restrictions on imported meat—and certainly does not require additional restrictions; and,

(2) Any legislation substantially designed to affect the volume of imported meat should stand or fall on its own merits. Procedural linking of disparate proposals may produce unfair results.

Our October, 1967 brief and statement filed with this Committee (Hearings on Import Quota Legislation, October 18 and 19, 1967, pages 723–738, Committee Print) set out our basic reasons for opposing further restrictions on imported meat. We believe that subsequent events bear out the correctness of our 1967 position and show that a relaxation of restrictions is now in order. This statement seeks to bring the Committee up to date on these subsequent developments, and point out their significance, as we see it.

THE NATURE OF IMPORTED BEEF

Most imported meat is frozen manufacturing grade beef. Notwithstanding requests submitted to Congress by cattlemen and feeders, it remains clear that such beef does not directly compete with high-quality, grain-fed table beef produced by the domestic beef industry.

The United States Department of Agriculture stated in May, 1969 (*Livestock and Meat Situation*, p. 19):

> Boneless beef imports are similar to and supplement the declining supply of U.S. produced cow beef. Both are used mainly in hamburger and processed meat products. Australia and New Zealand are the principal suppliers.
>
> Imports or carcass beef and bone-in cuts are very small compared with boneless beef imports. . . .

Domestic protectionist interests have recently contended that significant quantities of table cuts (estimated by them at 40% of all imports) are coming into the United States. This statistic is totally without foundation. We believe that this argument is an attempt to divert attention from the fact that manufacturing grade meat is absolutely essential to continued modestly priced convenience food products such as hamburgers, sausages, etc. At this time, the U.S. Tariff Commission is conducting an investigation pursuant to Section 332 of the Tariff Act of 1930 to review the meat industry, including, we understand, the extent to which imports enter into manufacturing of meat products in the U.S.A. The MIC welcomes this investigation because it will further prove the dangers inherent in the continuing restriction of imported meat.

The bulk of imported frozen beef is used strictly for grinding, i.e., combination with other materials to produce hamburger, sausage, etc., and virtually all imported fresh frozen beef not used in grinding is subjected to some form of manufacturing or processing operations in the United States.

DECLINING AND UNRELIABLE SUPPLIES OF DOMESTIC COW AND BULL MEAT RESULT IN INSUFFICIENT SOURCE OF MANUFACTURING BEEF

The principal source of manufacturing meat is cows (dairy and beef) and bulls. These animals are raised for dairy purposes and the raising of beef steers and heifers. The cow and bull source of manufacturing beef is essentially undependable because such meat is a by-product. The supply rises and falls as a direct result of production practices in the dairy and table beef industries—not by consumer demand for manufacturing beef. Thus, beef producers tend to hold back slaughter of beef cows at times when they are expanding herds of beef steers and heifers for grain feeding (as they have been doing so far in 1970). This source of manufacturing beef has been in general decline for the past five years, and except for radical short-term fluctuations, has not changed materially for twenty-five years, despite the fact that our population has increased by well over one-third.

In 1969, total production from this source equalled 2,668 million pounds (boneless basis). It is estimated that this production will show a decline of around 4½% during 1970. The current general decline may be expected to continue at least through 1972.

MANUFACTURING BEEF SHORTAGES HAVE RESULTED IN INCREASED U.S. WHOLESALE PRICES

Because of the short supply of manufacturing meat during the Spring of 1970, quotations for cow meat in the domestic market increased about 13 percent over a period of one year, even though imports rose moderately. Indeed, for the first time in history, wholesale prices paid for low-grade canner and cutter cow carcasses ran consistently *higher* than prices for good grade steer and heifer carcasses. Occasionally, these canner and cutter cow prices have actually surpassed prices for choice steer carcasses.

For all practical purposes, imported fresh frozen beef and domestic cow and bull beef are commercially interchangeable commodities. Unprecedented wholesale price increases for manufacturing grades are weighty evidence that total supply (domestic plus imported) is not sufficient to meet demand.

MANUFACTURING BEEF FROM HIGH-QUALITY STEERS AND HEIFERS IS NOT THE SOLUTION

In addition to the lean processing beef derived from domestic cows and bulls plus imports, there is one other important domestic source of supply of meat for manufactured products: fat trimmings, sometimes called "belly cuts", from high-quality, grain-fed steers and heifers. These left-over portions of the grain-fed beef carcass are much too fat to be used by themselves in making manufactured products. The fat-lean ratio is just about 50–50 and the lean may not be economically separated from the fat.

To be used, trimmings must be "leaned up" with low-fat domestic or imported beef which has a fat content of only ten to fifteen percent. To reduce the fat content to 20%, the legal limit for "ground beef", it takes 610 pounds of such lean beef for every 100 pounds of fatty trimmings.

Because U.S. production of high-quality beef steers and heifers has steadily increased, these fat trimmings have, of course, increased as well. But, since 1965, this increase has not even been sufficient to offset declines in domestic cow and bull beef production.

For years the MIC has maintained that, far from injuring domestic beef producers by direct competition, imports actually benefit U.S. producers of table beef by supplying lean material which is necessary for their fat trimmings or "belly cuts" to be upgraded into salable products.

The U.S. beef industry has committed itself to continuing specialization by raising high-quality, grain-fed animals. In this area, it has enjoyed tremendous success vitually doubling production in fifteen years. But there is no quantity of fatty by-products, no matter how large, that can ever satisfy America's needs for manufacturing beef. As the cattlemen continue specializing, the gap between lean beef supply (domestic cow and bull plus imports) and fed beef becomes greater and greater. Without sufficient lean beef for combination, unusable excesses of fat trimmings will necessarily cause prices received by cattlemen to decline or, at least, fall short of potential return.

The shortage of lean beef with which to mix the fatter materials was clearly a major factor in the relative weakness of prices for fat belly cuts and trimmings in 1970.

In an effort to "explain" high cold storage stocks of beef since the end of 1969, protectionist interests have accused importers of deliberately holding manufacturing meat off the market to cause price increases.* This accusation is absolutely groundless and reveals virtually total ignorance as to the market structure for imported meat. In point of fact, we believe, high cold storage and freezer stocks are the result of excessive quantities of domestic fat "belly cuts" and trimmings.

In an effort to demonstrate that domestic production of manufacturing meat is sufficient, protectionist interests have exaggerated the percenage of beef steer and heifer carcasses which constitute usable fat trimmings. U.S. producers and feeders have gone on record that as much as 26% of the average carcass is used in processing and manufacturing. This figure includes ones, unusable kidney fat and waste.

A more accurate figure for usable fat trimmings is 12–14% of carcass weight, or about 9% of live weight.

THE U.S. MARKET FOR LEAN MANUFACTURING BEEF SHOULD BE RETURNED TO A NORMAL STATE BY REPEAL OF PUBLIC LAW 88–482

Since 1964, Public Law 88–482 has menaced U.S. manufacturers of meat food products, food market chains, importers and brokers with the constant threat that increasing imports of sorely needed products to meet demand would trigger a quota which in turn would result in a substantial cutback in available supplies. During this same period of time the domestic cattle cycle has, as it has for generations, continued to reach peaks and valleys of production and profitability, without regard to meat imports.

Concurrently, domestic and import prices paid for manufacturing beef have risen sharply. Importers and users of lean manufacturing beef continue to compete hotly for limited available supplies of raw materials while Mrs. Housewife—the American consumer—finds herself paying skyrocketing prices in support of an artificial market condition created by an Act of Congress which has benefited no one.

In 1964, the year Public Law 88–482 was enacted, average retail prices for ground beef and frankfurters (as reported by 40 regional and national chain stores) were 47¢ and 62.4¢ per pound respectively. In the third quarter of 1969 the price for ground beef was steady at a high of 66¢ per pound, a 40% increase, while the average September, 1969 price for frankfurters rose 31% to 82.1¢ per pound. For the first half of 1970, ground beef prices have not been less than 65¢ and frankfurter prices averaged above the September, 1969 record, setting a new record of 84.1¢ in May. A major cause of this price trend is the shortage of lean beef from which hamburgers, frankfurters and similar food products are manufactured.

Until this year, the quota set forth in P.L. 88–482 was not "triggered". At first this was because allowable imports were well below the trigger point. After 1968, however, technical triggering of the quota was avoided for a time only by voluntary self-imposed limitations of exports by principal supplying countries. Thus, the law operated to keep out badly needed meat and brought about shortages which in turn have driven up wholesale prices. The "surcharges" brought about by special interest quota legislation and laws such as Public Law 88–482 are borne by those who can least afford to pay—the low and middle income consumers.

*See, for example, Statement of C. W. McMillan on behalf of the American National Cattlemen's Association at page 3689, House Committee on Ways and Means-Print of Hearings on Tariff and Trade Proposals, May and June, 1970.

Quotas were triggered at the end of June. However, President Nixon simultaneously suspended quotas on a finding that the overriding national interest required that he do so.

Since 1968, demand has exceeded maximum permissible imports under the quota law, and imports have been prevented from acting as a necessary supplement to U.S. production. Short supplies and sharply increased prices are the result. Even under present suspended quotas, imports are held down because voluntary agreements remain in effect.

U.S. production of lean manufacturing beef will decline significantly during the next few years. American usage of such meat (whether domestic or imported) has increased, in absolute terms, an average of about 2½% per year for several decades. In order to satisfy a constant increse of 2½% per year in supplies, increased imports of between 200 to 300 million pounds per year will be required. Yet, under the present quota law, annual increases in allowable imports have not, and will not, average as much as 30 million pounds per year.

Current statutory provisions have created an unnatural and inflated market for manufacturing meat in the U.S.A. Congress should, we submit, recognize the lesson of history and reject any attempts to limit further available supplies by means of so-called "orderly marketing" or quota schemes for imported meat and meat food products.

CONCLUSION

Public Law 88–482 has disrupted foreign trade. It has unnaturally decreased the supply of manufacturing meat and increased its value at the wholesale level. It has contributed substantially to record consumer prices for manufactured products such as hamburger and sausage. It has not helped the domestic beef industry.

When the automatic operation of the law caused quotas to be triggered earlier this year, the President found that it was in the overriding national interest that they be suspended, and this finding remains in effect to date. Yet imports are still insufficient because of "voluntary" arrangements which result from the existence of the law.

H.R. 18970, the "Trade Act of 1970," does not specifically mention meat. But we believe that imported meat represents a valuable object lesson as to the havoc caused by quotas generally. In view of the severe restrictions already in effect, we hope that any proposals for further restrictions will not be given serious consideration.

We urge defeat of amendments which would link trade legislation with purely domestic measures such as the Social Security Bill.

Finally, we urge that supplies of imported meat be allowed to equal demand, and that members of this Committee undertake to modify or repeal existing law toward that end.

Respectfully submitted,

JOHN E. WARD, *Chairman.*

STATEMENT OF WALTER G. TAYLOR, THE NATIONAL BOARD OF FUR FARM ORGANIZATIONS

Mr. Chairman and distinguished members of the committee, my name is Walter Taylor. I am a mink farmer from Stafford Springs. Connecticut. I am representing the National Board of Fur Farm Organizations, Inc., a Minnesota cooperative. Our Association is comprised of 52 State, Regional and Marketing Organizations. The approximately 2500 members of which are members engaged in the raising of domestic mink.

The mink of International Trade today descends from North American wild mink. American farmers captured the wild mink, learned how to raise it, domesticated it and using unprecedented skill with the laws of inheritance developed an array of thirty or more new fur colors. By skillful promotion and advertising our mink farmers developed a world market for mink furs and made mink one of the foremost status symbols.

American mink farmers conceived of and developed an entirely new industry generating up to more than one hundred million dollars in domestic mink pelt sales yearly and producing an important market for equipment and by-product feed materials with a significant demand for labor. This industry is as American as Daniel Boone.

American mink ranchers assessed themselves at the point of pelt sales for advertising and promoting the new ranch mink and have expended over twenty million dollars to develop the demand for mink.

But in spite of our continued promotional efforts the mink pelt prices and recently U.S. consumption of mink has decreased alarmingly.

The domestic mink ranching situation is *deadly* serious. In fact, unless strong legislative action is taken promptly, the industry faces extinction.

The number of U.S. mink ranchers has dropped from 7200 in 1962 to 2600 at the start of 1970. And there will be many more liquidations this fall.

The growth and decline of the U.S. mink market in the sixties is tabulated and graphically illustrated on the attached page.

Pelt prices have reached disaster levels in 1970. The two major marketing associations report 90% of the 1969 crop sold as of Sept. 1st at an average gross sales price of $11.14 which is 27.3% less than the auction average of $15.33 in 1969 and 42.8% less than the $19.48 average realized in 1966.

It is very important to realize that gross sales prices *do not* represent net to the rancher. Sales cost must be deducted. For instance after deducting auction commissions, association deductions for advertising and tanning costs, on the pelts sold dressed, the net to the rancher was only $9.36. This is much less than the cost of production. Almost every American mink farmer is operating at a loss at current market levels.

Further evidence of the extreme distress in the mink farming industry is the fact that two out of 3 commercial mink ranching publications ceased publication during the past twelve months. And even more traumatic was the closing of the New York Auction Company which was one of the two largest fur auction houses in the country and was a very important source of production credit for mink ranchers.

Why is the mink market so poor in the United States today and why is the domestic mink ranching industry folding up?

The primary cause is the massive mink pelt imports permitted to enter the United States entirely free and unrestricted.

The world market is now faced with over-production of mink. But the over-production has been abroad and definitely not here in the United States. While we were increasing to a maximum of 6.5 million pelts, production abroad has increased to an estimated 16 million or more. It should be evident that basically we have not over-produced here because as shown in the table attached since 1960 we have not even supplied as much as 53% of domestic consumption in any year.

While we have reduced our production in this country by a million or more pelts the European pelt sales reports do not yet show any decrease in production over there.

When the Scandinavians entered our market, it was already established. They rode on our advertising and they treated mink pelts as a common commodity selling in large quantities without limits. Their advertising was mostly to the first buyer and their limited amount of consumer advertising was not of the quality to maintain the prestige of mink, in our opinion. An even more lethal blow to the prestige of mink was the low quality of imports. Year after year the reports from European auction sales told us that the low grades were shipped to the United States. These low grades were foisted onto the American public under the name of mink which was a magic name due primarily to our advertising.

We were able to withstand the onslaught with some success until 1967. But then the massive importation of 11 million pelts during 1966 and 1967 plus the cumulative effects of the factors explained above broke the market and we have been unable to recover. This situation aggravated by our current business recession has placed the United States mink farmer in an impossible position. He faces catastrophe in spite of all efforts at cutting costs and increasing efficiency.

American producers have high costs of production that to a great extent has priced us out of the world mink market. These fixed costs are due to a large degree to legislative action and we feel it is entirely fair that we request Congress to legislate some protection against low cost imports.

Back in 1959 we have tried to secure import relief and have continued on that course ever since. But, until just recently every one in the fur trade was making a dollar. The manufacturers were making great profits on the low quality imports and the dressers and union workers were handling an ever increasing volume of pelts on a fixed fee basis.

We have been rebuffed repeatedly in our efforts to stem the flood of imports, but our predictions were all too true and finally the giant unrestricted mink imports have pulled the house down on the heads of the entire fur industry.

The mink farming industry is peculiarly vulnerable in many ways:

1. They gamble a whole year's investment before coming to market.
2. They are completely open to world competition without any import control or government price support.
3. They have no patent protection for their new genetic color inventions even though horticulturists can patent new plants.
4. There is inadequate protection against imported pelts being passed off as United States products.
5. Mink is a fashion item and mink is a luxury commodity and, therefore, extremely susceptible to changes in business conditions.
6. Mink equipment and particularly housing of the animals is not adaptable to other uses. Across the country hundreds and hundreds of mink ranchers have their life savings invested in mink shelters, pens and nest boxes (one for each mink); and when they are forced to quit, there is no recovery value in this equipment. Lucky is the rancher who can realize five cents on each dollar invested!

Moreover, because the mink industry is new, it does not enjoy the import protection that is traditional with other agricultural products.

Agricultural Secretary Hardin says* "In recent years we have had to tighten restrictions on dairy products. We also have had to limit imports of meat under other legislation. However, the United States, with these few exceptions, protects its farmers with duties averaging a moderae 10 percent—the lowest for any major agricultural country in the world."

Shouldn't the mink farmers have equal consideration? Shouldn't we also have some import protection for the newest agricultural industry—the beleagured mink ranchers?

Exports of mink pelts have increased in 1970. For the first 8 months of 1970 exports increased 49.4% over the first 8 months of 1969. See the table on following page. At first blush the 481,000 increase in pelt exports would appear to be advantageous. But when it is noted that the dollar volume increased less than 3%, it is apparent that the increase in numbers is due to the bargain basement prices. Moreover, when it is realized that our exports are mostly top qualities and that the 1970 sale average of $12.42 less commissions is probably less than cost of production, it is obvious that this export increase is of little or no value to U.S. mink farmers.

MINK PELT EXPORTS

	1969	1970	Change: Percent	Change: Amount
Numbers[1]	974,000	1,455,000	+38.5	[2] +481,000
Value[1]	$17,706,000	$18,175,000	+2.7	[2] +469,000
Average pelt price	$18.18	$12.49	−30.8	−$5.69

[1] Numbers and dollar values from Department of Commerce figures.
[2] Pelts.

The repeated suggestion that we again rely on the escape clause, just sounds like a "put off" to us because of our sad experience with the mis-representation in the report issued by the Tariff Commission in April 1968.

Mink is a luxury item and its purchase is entirely discretionary so there is no reason to legislate any price ceiling either directly or indirectly.

H.R. 18970 is a definite step forward in that for the first time mink ranchers will have some quota and tariff controls on the importation of raw mink pelts.

The 25% duty specified on raw pelts above the quota figure may not prohibit imports, and actually will prevent domestic raw mink pelt prices from getting out of hand. In fact, this 25% duty may in a sense be considered as a counter vailing duty in compensation for currency devaluations in important importing Scandinavian countries in recent years as well as their embracement of value added taxes which is an export subsidy in that it is reimbursed to the exporters.

We are aware of the problem with the term (or pieces of skins) under line 6 on page 53 of H.R. 18970 and, although we realize that promulgation of a defi-

*Page 627, Hearings before the Committee on Ways and Means, House of Representatives, 91st Congress, on trade proposals.

nition invites scrutiny with the intention of circumvention it does seem necessary in this case and we would like to suggest that the phrase (or pieces of skins) be expanded to read (or pieces of skins except heads, paws, tails or similar scrap pieces).

On page 55 of the committee report to accompany H.R. 18970 it states: "The bill is designed to assist domestic producers in the efforts to rebuild the market for mink."

As written, this bill falls short of its objective. The provision for 4.6 million pelts free entry is way out of range in view of the Agriculture Department's estimate of 2,561,000 imports for 1970. There would have to be a tremendous increase—a 77% increase—in the present rate of imports before American mink ranchers would get any relief through the quota provision.

Moreover, the removal of the embargo against seven Russian furs will increase competition against us and hurt the market for mink pelts. For instance, Kolinsky furs, which are directly competitive to mink, will once again enter the American market. An indication of the possible impact on our mink market is the record of imports in 1949 and 1950 which could be considered normal since they were well in advance of the imposition of the embargo which has been in effect since August 31, 1951 for Communist China and January 5, 1952 for Russia. The imports were 802,818 Kolinsky in 1949 and 994,462 in 1950. This average of 899 Thousand pelts would be almost equivalent to the equal amount of low grade mink pelts.

When it is realized that the other five types of furs that will be admitted to compete for the retail fur dollar, it is obvious that this bill as written, rather than help the mink farmer, would hurt him by causing an immediate depressing effect on the mink market and no belief in the foreseeable future due to the high 4.6 million free pelt quota.

A major problem in marketing mink pelts has been glutting of the market at the beginning of each selling season.

The world mink pelt crop is harvested during the last two months of the year and there is a natural inclination to sell it promptly. Another factor which leads to overloading the market early is the geographical location of the Scandinavian countries. Being farther north than the United States, the mink's winter coat is grown earlier in Scandinavia, permitting them to pelt earlier. The Scandinavians have used this geographical advantage to flood the market with unlimited sales in December before we Americans can get our pelts to market.

In the United States the mink farmers cooperate with the auction companies to arrange an orderly schedule of sales. We also limit quantities on sales with minimum limits on the selling price.

Year after year these Scandinavian early unlimited sales have started off the selling season with large quantities at disastrously low prices, leaving us to try desperately to raise the U.S. market to profitable levels.

We have approached the Scandinavians repeatedly, asking them to limit their early sales, without success.

A stipulation in the mink section of the Trade Bill limiting imports in any calendar quarter to one-third of the annual quota will be an important aid in our goal of orderly mink pelt marketing in the United States.

To summarize: In order that the bill will actually assist domestic producers in the efforts to rebuild the market for mink, we respectfully request the following three changes in the present bill:

1. Retention of the embargo against seven furs from Communist China and Russia.
2. Reduction of the amount of free entry mink pelts from 4.6 million to 3.6 millions.
3. Add the specification that not more than one-third of permissible entry during a calendar year be admitted in any calendar quarter.

It should be noted that the only change from current practice effected by these three changes is limiting imports to 1.2 million skins in any one calendar quarter.

Suggestions as to the form of these changes are attached.

We mink farmers feel that Congress is our last resort and we plead with you to give us import control that will permit the saving of a nucleus of mink farms on which we can rebuild an important American Industry.

Three changes in HR 18970 needed to make the mink section an effective help to the United States mink farmer:

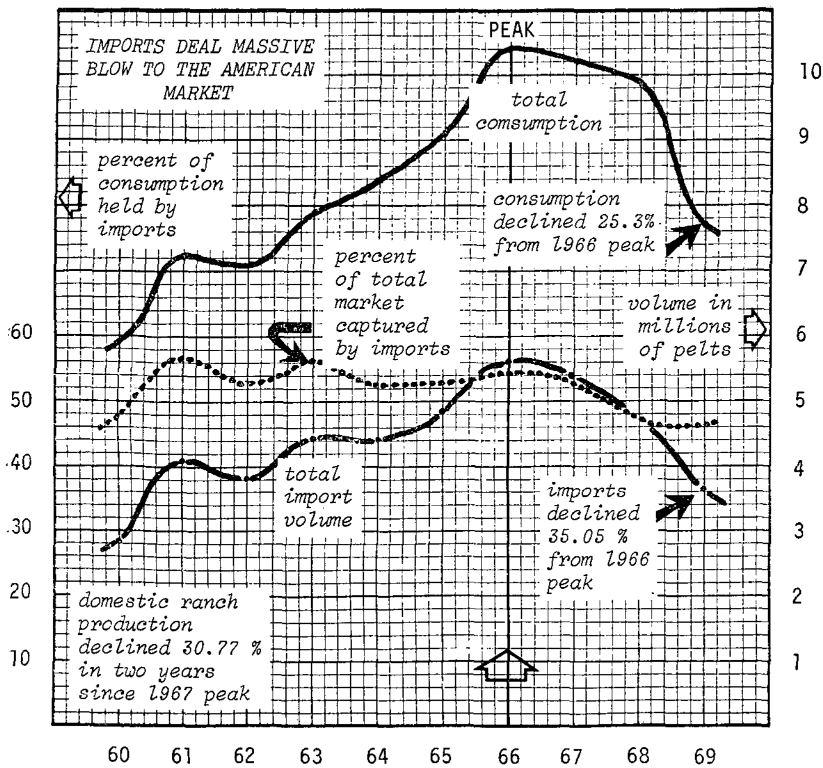
1. On page 53, of the bill strike "repeal" from line 1, strike line 2, strike lines 10 and 11, In line 12, strike "and repeal." This retains the embargo against seven furs from Russia and Communist China.

2. On page 53 of the bill, under item 123.50, strike "4,600,000 skins" and replace with "3,600,000 skins." This brings the quota figures closer to current import levels.

3. On page 53 of the bill, under item 123.50, after ") entered during any calendar year" add "of which not more than 1,200,000 skins (or pieces of skins) may be entered during any calendar quarter."

This will assist American mink ranchers in their effort to prevent glutting of the market at the start of the selling season and achieve orderly marketing.

GROWTH AND DECLINE OF THE U.S. MINK MARKET IN THE SIXTIES



CALCULATION OF APPARENT CONSUMPTION OF MINK PELTS IN THE UNITED STATES 1960-1969

year	DOMESTIC PRODUCTION			PLUS TOTAL IMPORT VOLUME	LESS EXPORTS			APPARENT CONSUMPTION	
	ranch	wild	total		domestic	re-exports	total	volume	percent imports
1960	3,718,000	355,000	4,073,000	2,846,000	882,000	100,000	982,000	5,937,000	47.94
1961	4,020,000	297,000	4,317,000	4,131,000	1,018,000	185,341	1,203,341	7,244,659	57.02
1962	4,169,000	300,500	4,469,500	3,825,000	976,000	138,777	1,114,777	7,179,723	53.28
1963	4,278,000	366,000	4,644,000	4,460,000	1,088,000	99,721	1,187,721	7,916,279	56.34
1964	4,700,000	317,000	5,017,000	4,445,000	901,000	101,532	1,002,532	8,459,968	52.54
1965	5,300,000	287,000	5,587,000	4,882,000	1,200,000	127,229	1,327,229	9,141,771	53.40
1966	5,700,000	234,000	5,934,000	5,675,000	1,124,000	75,931	1,199,931	10,409,569	54.52
1967	6,000,000	289,000	6,289,000	5,426,000	1,312,500	134,878	1,447,378	10,267,622	52.85
1968	6,500,000	181,000	6,681,000	4,781,000	1,396,000	74,000	1,470,000	9.992,000	47.85
1969	5,500,000	180,000	5,680,000	3,685,790	1,502,854	88,000	1,590,854	7,774,936	47.41

Estimates of domestic ranch production through 1967 by the U. S. Tariff Commission. Estimates of the wild catch by the Fish and Wild Life Service, U. S. Department of Interior. All export and import data by the U.S. Department of Commerce.

Determination of total consumption of mink pelts in the United States for any one year is made by adding total imports to total domestic production, then subtracting total exports. "Re-exports" as shown above represent foreign merchandise entered temporarily into the United States for shipment abroad.

TESTIMONY OF JACOB S. POTOFSKY, PRESIDENT, AMALGAMATED CLOTHING WORKERS OF AMERICA, AFL–CIO, BEFORE THE WAYS AND MEANS COMMITTEE, U.S. HOUSE OF REPRESENTATIVES, MAY 20, 1970

I appreciate the opportunity to present the views of the Amalgamated Clothing Workers on H.R. 16920, which we support wholeheartedly.

Let me start by making it plain that my union has long favored the basic principles of international trade, and we fully understand the questions asked by some of our friends in Congress about our position on H.R. 16920. They ask, Have we changed our philosophy? The answer is, No, we support it, not because we have changed our dedication to our international responsibilities, but because we think this bill will help the cause of international trade—orderly trade, without inequities or harmful effects on any of the countries involved.

Forty years ago, when most of us first became aware of the principles of reciprocal international trade. conditions were far different than they are today. In that time, the United States could depend on its technological advantages to meet the competition of lower wages in other countries.

Today, that is no longer true. In almost every industry, but especially in textiles and apparel, technology in other countries is just as advanced as ours. I say particularly in our industry, because ours is an industry which still depends more on labor than machinery. Technology in our industry plays a relatively minor role, and is easily acquired by other nations. But the differential in wages remains, and, in fact, is larger than ever. We cannot compete with wages of 8¢ an hour in South Korea, or even of 37¢ an hour in Japan. We cannot compete, and we don't want to compete, with wages such as these. And we are confident that you do not wish us to compete with wages as low as these.

Because we cannot compete, and because we have no advantage in technology, textile and apparel imports have been increasing at runaway speed—in some categories at more than 200 percent a year.

And because we cannot compete, our industry contributes a sizeable proportion of the overall growing deficit in the trade balance of the United States—almost a billion dollars in our industry alone in 1969.

And all of this is compounded by the barriers which have been erected by other nations to our own exports. Some of the nations which export the most to us, such as Japan and the European Economic Community, have almost closed their borders to our products.

So you can see that the principles and conditions which existed in the 1930's no longer exist in 1970. The United States no longer has the same advantage of its technology. Other nations have not kept pace with our move toward reciprocal trade. And the trade surpluses of past years have been replaced with a growing trade deficit.

As the president of the Amalgamated, however, my concern is not so much with trade surpluses and technology as with the effect of these conditions on our working people. Let me remind you that the textile-apparel industry is the largest employer of all manufacturing industries with 2½ million workers. It is important not only in terms of numbers, but also in the kinds of jobs it offers. Our skill and educational requirements are modest. As a result, many of our workers are members of minority groups, women, the unskilled and undereducated generally.

These are the kind of workers who, if they lost their jobs with us, could not be readily trained for other employment, and might have no place to go but the welfare rolls.

I cannot believe that this should be the result of a rational and intelligent trade policy!

I am not talking about a future possibility, but about a present event. In the last decade, our manhours of employment have lagged far behind the increase in manufacturing generally. In the last three years, as imports have climbed higher, manhour figures in our industry show an actual decline. And the pressures on our working conditions have been growing. If you have any doubts about this, I invite you to join us at the bargaining table next year when our contracts expire in the clothing industry.

From all of this, it is obvious that conditions have changed from the 1930s when we learned our first lessons about reciprocal trade. In the 1930's, my union was one of those which worked hard to promote the minimum wage law, and we thought we had won a great victory when the first Fair Labor Standards Act passed Congress in 1938. Today, because of the change in the facts of international trade, our practices are promoting exactly what the minimum wage law was supposed to prevent: unfair, destructive competition based on low wages.

Finally, let me assure our friends who worry about what they believe is a change in our philosophy that H.R. 16920 does not close the door to trade. Just the opposite: it provides a mechanism to assure orderly and continuing trade. My only suggestion for alteration concerns the provision which would continue to give the Tariff Commission the authority to make findings of injury and the power to authorize adjustment assistance. We would strongly urge that this be changed to provide this authority to the President, for he alone is in possession of the wide range of information required for sound decision-making in this complex field.

I would like to close with an expression of appreciation to you, Mr. Chairman, and to the others who have sponsored this bill. We believe that those responsible for this bill have demonstrated statesmanship, courage and wisdom.

Thank you.

STATEMENT OF THE HUYCK CORP.

It is our understanding that despite the fact that H.R. 18970, the proposed Trade Act of 1970, has not yet been passed by the House of Representatives, the provisions of this proposed legislation are now before your Committee for consideration as an amendment to certain pending legislation including the Social Security bill. With the indulgence of the Committee, references in this statement will be to the provisions of H.R. 18970.

Huyck Corporation is a relatively small company in a small and highly specialized segment on the periphery of the textile industry. Although we are aware of, and fully sympathetic with, the problems of the mainstream of the textile industry with regard to the large and increasing volume of imports from certain foreign countries, our situation is such that we could be seriously injured rather than helped by the provisions of H.R. 18970. Attached as Exhibit A is a copy of the Annual Report of Huyck Corporation for the 1969 fiscal year.* Celebrating its centennial in 1970, Huyck Corporation has been manufacturing felts for the U.S. paper industry since 1870. These woven and/or needed textile products, made from wool and synthetic fibers, are used principally in the press section of papermaking machines.

In the 1950's our Company developed a synthetic fiber replacement for the bronze wire screen "belt" traditionally used in the Fourdrinier ("wet end") section of the papermaking machine. This new woven fabric must combine a fine mesh and texture with stability, strength and ruggedness so as to be able to run on large paper machines and make satisfactory paper. A coarser version of this open-mesh fabric has been adopted for use in the dryer section of the paper machine, but the comments hereinafter included will relate to the forming fabric used in the Fourdrinier section of the paper machine rather than to the open-mesh dryer fabrics.

At the present time our Company and its subsidiaries have forming fabric plants in the United States, Canada, Great Britain and Italy. Its traditional papermakers felt products are manufactured at other plants—two in the United States, and one each in Canada, Australia, Argentina and Brazil. In addition to these products for the paper industry, the Company also has a small subsidiary engaged in the development and commercial application of a new line of products in the field of fiber metallurgy. Thus, our Company has 11 plants in 7 countries. Except as hereinafter noted, however, our U.S. customers are supplied entirely from our U.S. plants.

As our Company began to develop the paper machine forming fabric made of synthetic fibers, it established a plant at Greeneville, Greene County, Tennessee. When that operation, which has the division trade name of Formex Company, began to break even on a current basis in the mid-60's, Huyck Corporation had invested some 7 million dollars in plant and equipment and 13 million dollars, in operating losses, an unusually large investment for the size of Huyck. These facts give some indication of the difficulty encountered in developing and manufacturing this product and the high degree of engineering content required.

Since the mid-60's, our efforts have been crowned with success and this new synthetic forming fabric has enjoyed rather spectacular growth in the U.S. which has the world's largest paper industry. Our U.S. business in this product has grown at an average rate of about 10% per calendar quarter during this period. The previously mentioned plants of our subsidiaries in Canada, Great

*This was made a part of the official files of the Committee.

Britain and Italy were established in the early and mid-60's, and have participated in the success of this product in recent years.

A major expansion of the Tennessee plant was completed early in 1970, and equipment is still being installed and shaken down. The Tennessee operation now has some 150,000 square feet of manufacturing floor space and nearly 300 employees. We are now negotiating for a site for a second U.S. plant to be located in another area of the country. Also, as a result of the continuing success of our synthetic forming fabric product, our Company has recently announced its willingness to make sales of its forming fabric manufacturing know-how, with any necessary licenses to practice patents owned by the Company, to qualified applicants in the business of supplying felts, fabrics and Fourdrinier wires to the paper industry. Attached as Exhibit B is a copy of a letter from O. G. Haywood, President, to shareowners of Huyck Corporation, dated September 18, 1970.

The principal raw materials, other than treatment chemicals, used in the manufacture of Huyck Corporation's open-mesh forming fabrics are filament yarns of nylon and polyester fiber. Nylon is used in a large share of these fabrics and polyester fiber must be used in all of them. The nylon is acquired from U.S. producers. However, in the polyester fibers, we have not been able to get from U.S. manufacturing sources fibers with the specific characteristics and performance that are required for our product. Consequently, our multifilament polyester yarns are from Canadian sources, and our monofilament polyester yarns are imported from West Gemany. Fom 1967 through the first eight months of 1970, our purchases of these imported yarns have been as follows (in pounds):

Year	Monofilament	Multifilament	Total
1967	14,525	13,254	27,779
1968	6,312	26,038	32,350
1969	24,869	22,694	47,553
1970 (8 months)	21,159	23,190	44,349

We are constantly testing polyester yarns from U.S. sources and hope that eventually we will be able to use U.S. yarns entirely and avoid the expensive imports, but to date we have not found acceptable U.S. yarns. Our estimated use of polyester filament yarns for this product during the next five years is as follows (in pounds).

	Monofilament	Multifilament	Total
1971	101,600	25,500	127,000
1972	125,400	21,900	147,300
1973	156,300	15,900	172,200
1974	198,500	17,000	215,500
1975	249,100	18,200	267,300

Our U.S. success outpaced the capacity of our Greeneville plant and, while getting the Greeneville plant expansion designed and completed, we have had to import a minor percentage of these fabrics from our Canadian and Italian plants in order to keep our U.S. customers supplied. These imports have been as follows since 1967:

Year	Volume (square feet)	Ultimate sale value
1967	14,144	$37,971
1968	16,018	63,724
1969	187,018	722,580
1970 (8 months)	47,350	195,364

We expect to have to continue to import about 50,000 square feet (ultimate sales value of about $200,000) per year for the next two or three years until our second plant is built and in full operation. As indicated, it is our plan to increase our capacity, in these forming fabrics so that it will not be necessary after the next two or three years to use imported fabrics, even from our own foreign plants, to supply any portion of our U.S. market.

Thus, it is evident that any limitation of our import of polyester filament yarns to the average of 1967, 1968 and 1969 could have grave consequences for our Company. This part of our U.S. business has been growing so fast that those three years and any prior years are meaningless as a quota base. As fas as the fabrics are concerned, a quota based upon the average of 1967, 1968 and 1969 would be adequate to support our imported fabric (as contrasted with polyester filament yarns) needs for the next two or three years, provide such quota were computed on our history, and available exclusively to our Company. Based upon a reading of the report of the Committee on Ways and Means of the House of Representatives, however, we are under the impression that quotas would be established on broad tariff categories or similar bases and that quota clients would have to compete with each other in seeking participation under a particular quota category. Under the circumstances, and due to the non-disruptive nature of our imports, we believe that our relatively small company should not be subjected to the hazards of such competition.

We believe that our products fall clearly outside of the problem area which the import quota provisions of H.R. 18970 and other import quota legislation proposals presently before the Congress are designed to handle. We do not compete with the great textile industry of the U.S., but merely with our own small, highly specialized felt and Fourdrinier wire industry serving the paper industry. Although big and important to us, our volume of purchases of imported polyester yarns is insignificantly small to the great companies in the man-made fiber industry in the U.S. The relatively small volume of our fiber demand is one of the primary reasons we have not found acceptable polyester filament yarns produced in the U.S.—our needs are not large enough to merit extensive development work or close manufacturing attention by the larger U.S. man-made fiber companies.

In reviewing H.R. 18970, it appears that, if the Finance Committee of the Senate is inclined to relieve our problem under this proposed legislation, it would be appropriate that this be done by inserting a specific narrow exception in Subsection (1) of Section 206 of Title II of H.R. 18970. Attached as Exhibit C is a copy of this Subsection with the proposed additional language included and underscored.

This approach appears to be more appropriate than our seeking later an executive exception as a "non-disruptive import" as permitted under subsection (b) (1) of Section 201 of Title II of H.R. 18970, since the relief we need, especially with regard to polyester filament yarns, must be defined in terms of intended use of the imported article rather than the article itself. In other words, our exception is much more similar to that covering necktie material already found in this subsection, than to the athletic shoe example described on page 39 of the House Ways and Means Committee Report.

Favorable consideration of our problem by the Finance Committee is urgently requested. If our Company can supply any additional information which will be helpful to the Committee, we will do so promptly upon request.

Respectfully submitted.

THOMAS M. McCRARY,
Vice President.

EXHIBIT B

HUYCK CORP.,
Rensselaer, N.Y., September 18, 1970.

To: Shareowners of Huyck Corp.

We are pleased to report that your Board of Directors on September 16, 1970 declared a quarterly dividend of $.12 per share on the common stock, payable December 15, 1970 to Shareholders of Record on November 23, 1970.

This represents an increase of 20% over the previous quarterly dividend, and brings the dividend for this year to $.42 per share. The new dividend is at the rate of $.48 per year.

Continued increases in earnings have made it possible to increase the dividend and, at the same time, retain larger earnings for future growth. We consider it in the long-range interests of our Shareowners to retain the major portion of our earnings to finance future growth and profitability.

A major contributor to our good earnings picture this year, as indicated in the 6-months' statement, is the expansion of sales and available markets for FORMEX® forming fabrics. With continued improvement of our multifilament fabrics line and development and introduction of our new endless monofilament fabrics, we are rapidly expanding the markets which can be served by these fabrics.

In Canada, for example, our fabrics are now running on 10 newsprint machines with fabrics for 14 more newsprint machines on order. In the United States, our fabrics are running on substantially faster and larger machines than last year in several types of paper, including fine paper, corrugating medium and kraft bag paper.

As a result of our progress this year, we now expect that the total forming fabric market in North America for which our fabrics will be offered commercially by the end of 1970 will be in the range of $25,000,000 to $30,000,000 compared to $16,000,000 at the beginning of the year. We also believe that synthetic fabrics will displace metal Fourdrinier wires very rapidly during the next five years and that by the end of this period our fabrics and those of our competitors will have 80% of the market in North America. At the present time Huyck's endless fabrics constitute the bulk of forming fabric sales, but we do have some competition from joined fabrics supplied by others.

Because of this very expansive market situation, we have decided that we should be willing to make sales of our forming fabric know-how, with any necessary license to practice patents, to qualified applicants in the paper machine clothing business. We believe this action will accelerate paper industry acceptance of fabrics by giving our customers alternate sources of supply for endless fabrics. In addition, while we are proceeding with plans for another FORMEX® fabric plant in the United States, sales of our know-how should prevent possible need for further expansion which might prove excessive after our patents expire and competition becomes fully effective. We are already discussing such transactions with certain members of the machine clothing industries. Of course, we will not sell our FORMEX® fabric know-how except on terms which we believe to be in the short-term and long-term best interests of our Shareowners.

Sincerely,

O. G. Haywood.

Exhibit C

H.R. 18970, Title II, Section 206, Subsection (1)

(1) The term "textile article" includes any article if wholly or in part of cotton, wool or other animal hair, human hair, man-made fiber, or any combination or blend thereof, or cordage of hard (leaf) fibers, classified under schedule 3 of the Tariff Schedules of the United States; any article classified under subpart B or C of part 1 of schedule 7 of such schedules if wholly or in chief value of cotton, wool, or man-made fiber; any other article specified by the Secretary of Commerce which he has been advised by the Secretary of the Treasury would be classified under any of the foregoing provisions of the schedules but for the inclusion of some substance, material, or other component, or because of its processing, which causes the article to be classified elsewhere; and any of the foregoing articles if entered under item 807.00 of such schedules, or under the appendix to such schedules; but such term does not include articles classified under any of items 300.10 through 300.50, 306.00 through 307.40, 309.60 through 309.75, and 390.10 through 390.60, inclusive, of such schedules; does not include any woven fabric 20 inches or over but not over 46 inches in width, in the piece, bleached or colored, whether or not ornamented, for use only in the manufacture of portions of neckties other than the linings therefor; *and does not include textile fabrics manufactured of man-made filaments or filament yarns, or combinations thereof, designed for use exclusively in the operation of machines for drying of cellulose pulp or for the making of paper or paperboard, and filaments and filament yarns certified to be for use in the manufacture of such fabrics.*

Statement by John W. Scott, Master of the National Grange

I am John W. Scott, Master of the National Grange, with headquarters at 1616 H Street, N.W., Washington, D.C.

The National Grange is the oldest general farm organization presently embracing 7,000 local community Granges located in 40 of our 50 states and representing over 600,000 residents of rural and suburban America.

During our nearly 104 years of service to agriculture and rural America, we have maintained a keen interest in matters affecting foreign trade, tariffs and and quotas. Throughout this century of service, the Grange has opposed the restrictive trade policies which would adversely affect the exportation of American agricultural products.

There are many problems facing U.S. agricultural trade interests. In fact, foreign trade of any kind can no longer be discussed between trading nations without the results of such deliberations having an effect on world agricultural trade. The failure in the past to consider agriculture as an equal partner with commerce and industry in our trade negotiations has led to many of our present day problems in agricultural trade.

We would point out to this Committee that America was built on the profits from agricultural exports. In the beginning of our Republic, the importance of this export trade was recognized even during the debate on the protective tariff suggestions which eventually became law in an effort to protect our so-called "infant industries" from foreign competition. The nation at that time recognized the importance of developing its industrial and agricultural capacities for production at the same time. This has been the basis of our foreign economic policy for almost 200 years.

It should be pointed out also, if it has not already been done, that it was recognized that agriculture was going to pay a price for this protective legislation which was thrown around American industry, and it was suggested by Mr. Alexander Hamilton that a substantial amount of the receipts from duties on imported manufacturing goods should be devoted to the development of agriculture. This was the prelude to the Section 32 funds which still are used for this same purpose.

The Grange movement began in an attempt to make agricultural products readily available for European markets and its first struggle was against the barriers of trade that had been erected within the United States, primarily the monopoly in the field of transportation. So, the century of history has been written and it finds today as it has in the past the Grange on the side of as little restrictions on international trade as is necessary, whether those restrictions come from our domestic policies, both economic and trade, or whether they come from our foreign trade policies, or the foreign trade policies of our trading partners around the world.

At its 102nd Annual Session, the elected delegate body of the National Grange adopted the following statement as a reaffirmation of Grange policy:

"FOREIGN TRADE"

"In the field of foreign trade policy, *the National Grange reaffirms its support of the principle of expanding international trade through trade agreements under which tariffs and non-tariff barriers to trade can be progressively reduced and eliminated on a reciprocal and mutually-benefitting basis.* We stand firm in our belief that a prosperous and expanding world economy is vital to the economic progress of the United States and to the attainment of peace.

"The policies of the National Grange emphasize that the traditional aim of our foreign trade policy is to bolster our domestic economy by expanding international commerce on a basis which is equitable and which will be of mutual benefit to all trading nations.

"In adopting measures to expand trade *we recommend that the U.S. continue to adhere to the principles of the General Agreement on Tariffs and Trade under which our nation has taken the lead in working toward a reduction in the obstacles to trade and in expanding trade on the basis of sound economic principles.*

"Although encouraging progress has been made under the GATT in promoting less restrictive trade between the nations of the world, we are concerned by the growing obstacles to trade in agricultural products through the use of non-tariff trade barriers such as gate prices and the variable levy system of the EEC. These measures oppress our commerce and deny our agricultural exports market access on an equitable basis and deny access on terms which are consistent with the terms of access which their goods enjoy in the United States.

"Because of the importance of exports to the well-being of our economy and to our balance of payments problem, *the National Grange recommends that far more vigorous action and hard bargaining needs to be undertaken on the part of our government to bring about the elimination of non-tariff trade restrictions being maintained against U.S. agricultural products through the use of powers provided under Section 252 of the Trade Expansion Act.*

"The support of Foreign Trade policies essential to the expansion of trade for our agricultural products does not require the exposure of any segment of our domestic economy to unfair competition or to economic aggression. The National Grange has consistently supported Section 22 of the Agricultural Adjustment Act of 1933 as amended, and other measures designed to protect against unfair competition and it recognizes that it may be necessary to adopt other measures to this end which are designed to permit the sharing of markets on an equitable and reciprocal basis.

"In the area of East-West trade, *the National Grange reaffirms its position adopted at the 98th Annual Session, p. 147, Journal of Proceedings.* Under this policy, the National Grange favors the conduct of trade in non-strategic goods with Communist countries whenever economic gain clearly outweighs any foreign policy consideration.

"Trade in non-strategic materials, conducted on a realistic business basis and which serves the interests of both the U.S. and the Eastern countries, we believe, could become an effective instrument in our foreign policy and in our quest for peace.

"*The National Grange, therefore, recommends that the policies of our government be reviewed and that dollar trade in non-strategic materials on a competitive basis be permitted in the absence of overriding foreign policy considerations to the contrary.*

"In such review, consideration should be given to the elimination of restrictions which would impede and burden trade in U.S. agricultural products even when permitted—such as unnecessary export licenses, the requirement that fifty percent of grain shipments be shipped in U.S. flag vessels and other restrictive shipping requirements which would tend to make U.S. agricultural products less competitive.

"Since trade in non-strategic materials with Communist countries would necessarily involve trading with the governments of such countries, the *National Grange recommends that East-West trade should be conducted under special trading rules established through direct bilateral negotiations with such countries.*"

That the Grange should adopt such a position should come as no surprise to those who are familiar with the history of the Grange. One of the most forthright and influential statements to guide the delegate body was made by the then National Master, Herschel D. Newsom, in his annual address at Syracuse, New York, in 1967. (See Appendix A)

As early as 1960 the National Grange sounded the alarm against non-tariff trade barriers of the Common Market. While we supported the principles of the European economic and political unity, we did not believe that this should be obtained at the expense of the American farmer through restrictions on U.S. farm exports to the Community.

At the 94th Annual Session of the National Grange, the delegate body adopted the following statement regarding increased action by our government in the trade negotiating:

"The National Grange reaffirms this policy and continues its support of the basic principle of expanding international trade on a reciprocal and mutually benefitting basis.

"In its reaffirmance of this basic policy, the National Grange believes that far more vigorous action on the part of our government is needed to bring about the elimination of discriminatory trade restrictions which are being maintained against U.S. agricultural products by many of the friendly nations of the world. These restrictions came into being and were tacitly accepted by the U.S. following World War II because of the so-called dollar shortage which existed at that time. This dollar shortage no longer exists in many nations of the world. On the contrary, their dollar and gold positions are sound and their currencies are strong, but these restrictions are being continued in effect.

"In view of the greatly improved economic position of these countries, it is obvious that these discriminatory restrictions against U.S. agricultural commodities are totally unjustifiable and should be removed. Not only should the discriminatory restrictions be eliminated, but a vigorous policy should be adopted and put into action by our government to prevent the erection of new barriers to trade, which are threatening to arise from the development of the European Common Market. Although the general agreement on tariffs and trade recognizes and permits the formation of custom unions, it is clear that it was intended that such unions should result in the broadening of trade rather than providing a mechanism for the establishment of protectionist and trade restriction policies.

"The National Grange recommends the adoption of a stronger and better defined policy position on the part of our government aimed directly at the removal of the discriminatory trade barriers against U.S. agricultural products and to prevent the establishment of proposed restrictive new devices under the Common Market which will have the effect of impairing markets for U.S. agricultural products. Such a policy, we believe, to be vital to American agriculture. If firm steps are not taken now to eliminate the outmoded restrictive devices being used against U.S. agricultural products and to prevent the establishment of new barriers to agricultural trade under the proposed European Common Market, opportunity for progress may be lost and the trend toward greater freedom of trade will be reversed."

Today American agriculture is confronted with the trade problems that the Grange foresaw in 1960. The Common Market is threatening the levying of a use tax on soybean products and with the proposed expansion of the E.E.C., the protectionist policy of the Common Agricultural Policy of the E.E.C. will be expanded to the United Kingdom and the northern countries. In addition, because of the colonial ties of the Common Market members to countries in the Mediterranean and northern Africa, including the British Commonwealth countries of Australia and New Zealand, we are no longer talking of a European Economic Community, but a much broader and more powerful European Economic Empire. In the face of all these threats to agricultural exports, we in the United States are placing the remaining export markets in serious jeopardy because of the spread of protectionist thinking of our own commerce and industry.

The overly protectionist system of the Common Market is hurting our exports in several ways. First, high prices in the protecting countries mean a general reduced demand for the protected products. Second, the trade barriers, such as the variable import levies used by the E.E.C., effectively keep our farm products from competing in the protecting countries. Third, the stimulated production often piles up as commodity surpluses, which the protecting countries try to dispose of abroad by subsidizing exports into our traditional overseas markets.

We dare not, I repeat, we dare not, permit the passage of restrictive trade legislation similar to the Tariff Act of 1930. This brought retaliation from foreign countries. As a result, in 1931–34 our agricultural exports dropped to an average of about $800 million, as compared with $1.8 billion in the preceding four years. We have problems now, but we will have even greater problems if we allow restrictive legislation to be passed, either in agriculture or other areas of foreign trade. We must push forward toward a more liberal trade position.

Let me try to summarize for the Committee the basic concepts of the Grange in terms of international trade. *First, restraint of trade has generally been directed toward raising price and wage levels in non-agricultural production.* As these items or products which have been protected enter into agricultural use, and they range from tractors and automobiles, barbed wire and baling twine, to pesticides and drugs, these protective devices behind which they have hidden have widened the disparity between the income of agriculture and the rest of the economy. This again proves an axiom in this field that *"one man's profits automatically become another man's cost."*

The second major reason why we believe in a freer trade policy is that restrictive policies adversely affect the exportation of American agricultural products. One of the most notorious of these from our standpoint is the variable levies system of the European Economic Community. However, they learned this system from the United States and its use of the American selling price as applied to chemicals. *Not only is the ASP at present a stumbling block for the negotiations towards the expansion of agricultural trade, but that which it has spawned in terms of the variable levy is a major problem in which the producers of agricultural products in the Common Market have retreated behind their common agricultural pricing system and made it impossible for most agricultural products to enter into their market on a competitive basis, regardless of the efficiency of the producers of these commodities.*

We strongly support continuing efforts to resolve the complex textile trade issue through negotiated restraints on imports which may be unduly troublesome to our domestic textile industry. We fear that unless efforts are successful in achieving a voluntary arrangement which is in the best interest of the U.S., Japan and the world trading community, unilateral Congressional import restraints by the U.S. might trigger a series of trade confrontations and additional foreign import restrictions which could seriously threaten the goal of world trade expansion.

American farmers are in no position to lose substantial parts of their foreign markets, as they surely would if textile and other proposed import quotas are imposed. We can ill afford to risk these exports so that industries already registering record sales and profits can become even more profitable at the expense of U.S. farmers, consumers and exporters. The Grange cannot and will not support the efforts of a single commodity group when it does much greater damage to another commodity group.

The third result of restraint of trade and production policies is that agricultural production is stimulated out of proportion to that which previously had been the case in many of these countries and the resulting demoralization of markets both domestically and externally is a source of great concern.

The stimulation of dairy production in the European Economic Community, primarily in France, which resulted from the increased demand for beef and higher quality protein foods which in turn resulted from a more affluent society, all contributed to some market disruption in both Europe and the United States.

The Grange recognizes that every government has the obligation of trying to protect the income and investment of their own agriculture and other industries. In some instances, as in the United States, we have set support levels for strategic commodities at rates which attempt to at least avert disaster and in some instances to maintain a profitable operation in the production of these commodities. We have also, in our judgment, wisely provided that when the importation of agricultural commodities seriously threatens the continuation and effectiveness of these support programs and increases the cost to the Federal Government, we have a right to limit the importation of these commodities. We exercised this right in the case of milk three times during recent years when we were faced with a tremendous cost to the Federal Government for the support programs. In addition, the Grange will support reasonable import restraints on agricultural imports that are not under Section 22, if such quotas are in the best interest of American producers and in the long-run interest of consumers.

Mr. Herschel D. Newsom stated in 1967, when he was a member of the "Public Advisory Committee for Trade Negotiations", the following regarding quota bills then pending before Congress:

"The natural and normal export position of American agricultural products, on a basis of competitive efficiency, must not be sacrificed to protect non-competitive and high-cost production of non-agricultural products, when such restriction will give rise to retaliatory action against our own United States natural exports.

"We therefore urge the Senate Finance Committee to take a critical view of all proposals to place import quotas on either agricultural, or non-agricultural, items when such quotas would result in the following consequences:

"(1) A disavowal of our treaty commitments already in existence, and thereby an invitation to retaliatory action against the United States' exports.

"(2) A repudiation of the Kennedy Round agreements, before the results have been properly placed before this Committee.

"We have consistently supported, and here and now support, the basic principles as outlined in the Trade Expansion Act, and believe firmly that there are sufficient provisions in that legislation to deal justly with aggrieved, or potentially damaged, industry without inviting a reversal of our U.S. national policy to expand trade on a basis of competitive efficiency.

"We would urge, therefore, that if this Committee finds that there are real illustrations, in view or in prospect, which would seem to require imposition of quotas in violation of the above oultine, then the alternative of making restitution to such damaged industry in direct manner must clearly be given careful consideration, rather than to provide quota or tariff protections that would be vastly more costly to American consumers and in terms of damage to the total economy or to the United States' trade position.

"It should be clearly understood that we cannot demand from the rest of the world the right that our efficiently produced agricultural or non-agricultural products must have the right of access to the markets of the world on the basis of efficiency, and then turn around and insist that we be permitted the right to erect artificial trade restrictions in order to provide for growth of domestic industries, which cannot achieve that growth in terms of actual competitive efficiency.

"Finally, we must always examine any proposal that interferes with, or unnecessarily retards, our progress toward the sort of an expanded trade program and national policy, which was the declared purpose of the Trade Expansion Act, and which will give to our own American consumers and our total American economy the benefits of the greatest efficiency of production that is available; and through this efficient production, the best guarantee that we can reasonably provide that living costs and production costs will not be artificially increased; but that, on the contrary, the maximum pressure of efficient production will be exerted to hold those cost rises to a minimum, consistent with the above enunciated policies of reasonably adequate protection to the integrity of current investment and current levels of employment.

"These we believe to be the essential ingredients of a progressive and aggressive, though temperate and equitable, trade policy for the United States."

DUMPING

The Grange will stand behind our treaty obligations assumed as a member of the General Agreement on Tariffs and Trade. We will not condone "dumping" on our part, nor will we accept it when we are affected by it directly or when it affects our markets indirectly when practiced by a third party.

At the same time, it should be pointed out that we have exempted certain kinds of dairy products, primarily cheeses, which are classified generally as the more exotic and more expensive cheeses that sell on the American market at prices above similar kinds of domestically produced cheese. This permits those who produce these commodities in our foreign trading partner countries to have access to at least a part of the American market, as we claim the right to have some access to the markets which we have helped to develop.

We recognize the rights of other governments, indeed their responsibility, to do some of the same things which we are talking about at the present time. We have faced this in the IFAP and we have faced it honestly in our relationship to the Kennedy Round.

NORMAL TRADING PATTERNS

We believe that, as far as possible, *neither the trade barriers which are created by tariff duties nor the non-trade barriers which are created by quotas, either those imposed domestically against exports or those imposed domestically against imports, should be of sufficient quantity to seriously disrupt normal trading patterns.*

In the absence of other overriding national issues, foreign trade should not be conducted on the basis of political ideology but rather on the basis of economic advantage. This has been a major shift in Grange position in recent years. One exception which we have made is that we should not carry on trade with nations with whom we have no diplomatic relations. The problem of collecting for goods and settling accounts becomes pretty difficult at that point and for that reason we would prefer not to have any substantial amount of trade with those countries.

The Grange also holds that trade should be mutually advantageous. It is inconceivable that we should continue to be a nation with a favorable balance of trade with all nations. The fact is that we shall probably have to adjust our sights to one which is more reasonable and assume that a favorable balance of trade in total is the objective of American trade policy and not with individual nations, except those with whom we have especially close ties in terms of military alliances or historical trading patterns.

It is obvious that some assistance is necessary to help developing countries to expand their economies before they can become good trading partners. The investment that we made in Japan, Germany, Spain, Korea, Taiwan, and a number of other nations at the end of World War II has paid off handsomely in every sense of the word.

International Commodity Agreements have a place in our trade policies for some commodities. This is especially trade of those commodities which tend to be in over supply on the world's markets. Although there is a difference of opinion on the desirability of trying to allocate markets there is little argument against attempts to develop international agreements to prevent the collapse of international markets for strategic food needs and supplies.

TRADE EXPANSION ACT

The Grange has studied with great interest the message of the President transmitting the proposals for the Trade Expansion Act of 1970, the analysis of the proposal, and the language of the proposed legislation.

In relationship to agriculture, which is the primary concern of the Grange, we believe that the Kennedy Round was in itself a major breakthrough in trade negotiations in that agriculture for the first time stood on equal ground and received equal consideration and treatment by the delegation representing the United States. However, we do not believe the job is done, nor could it be completed within the context of time and the political situations of the world during the time limitations placed upon the Kennedy Round.

We believe there are still major problems to be attacked and areas in which concessions that are mutually beneficial may be possible. The relationship of United States agricultural trade to the Common Market is of particular concern to us. However, we recognize that the EEC could not make final and definitive commitments on trade policy at a time when their own internal agricultural policy had not been finalized. Even though they have finally arrived at a common agreement on dairy which was the last major agricultural commodity to be considered by the Community, the amount of dissension and the internal problems within the European Economic Community and its relationship to the rest of the world indicate that there is no finality about the decisions that have been reached. Therefore, the United States should be in a position to continue negotiations at every opportunity when it appears that we will be able to reduce, not only the tariff barriers, but the non-tariff barriers which stand as impediaments to an expanded world trade and an increasingly profitable agriculture, both domestic and foreign.

We strongly support the objective of expanded world trade, in the interest of U.S. economic and political goals and as a crucial element in world economic development and political stability.

Administration efforts to broaden trade through expanded market development and through efforts to reduce trade barriers are highly commendable. We endorse the major aims of the Administration trade bill to give substantial Presidential negotiating authority toward removal of non-tariff barriers to trade and to give further government assistance to industries damaged by imports.

We are increasingly concerned, however, with major threats to the President's trade expansionist, outward-looking foreign policy stance. Non-tariff trade barriers of the European Economic Community which are inconsistent with the concept of trade liberalization and violative of the General Agreement on Tariffs and Trade threaten to be further expanded because of the possible entry of the United Kingdom into the EEC. The failure of the Kennedy Round negotiations to deal effectively with the most notorious and damaging of these NTB's, the EEC's variable import levy system, has been a source of continuing frustration to broad U.S. agricultural interests which have consistently supported a trade expansionist position.

Major U.S. farm markets in Europe have already suffered severe losses because of the variable levy system, *which in effect is a means of charging the U.S. and U.S. farmers for high support farm programs without production restraints*. U.S. agricultural groups understand that European political unity may be desirable, but the maintenance of such non-tariff trade barriers against U.S. agricultural products is not essential to achieving that unity. We also believe that Europeans should now assume a much larger share of the burdens of unity.

We believe it is urgent that variable levies be the subject of prompt negotiation with a view to seeking a modification and eventual elimination of such levies before a decision is reached on the question of UK entry into the EEC. The extension of the variable levy system to the UK and other areas would sharply reduce U.S. farm exports, hurt the U.S. balance of payments position and lend support to those who seek a more protectionist trade policy by the United States.

We believe that a foreign economic trade policy which is aimed at expanding mutual trade in accordance with the principle of sound economics and on a reciprocal basis is essential to the welfare of American agriculture and to our national economy. We also agree that there are burdens as well as benefits which must be shared in the process of liberalizing world trade. The United States has been a leader in the policy of limiting trade restriction measures primarily to instances where serious injury or threatened injury is established. The variable levy system of the EEC, however, was unilaterally established contrary to the principles of the GATT and without any showing or claim of injury.

Such a system is regressive and should not be extended to other areas. Unless it is modified, it will not only continue to be a source of friction but it will ultimately force the United States, as well as other nations, to shift away from an expansionist trade policy position and adopt similar restrictive measures.

THE AMERICAN SELLING PRICE

The provisions for the modification of the legislation establishing the American Selling Price which were agreed upon at Geneva and which are before this Committee once more in our judgment, are not destructive nor disruptive to our chemical industry. We believe that this industry, which is one of the major growth industries of the nation, can absorb the changes which might be forthcoming and yet which are not even proven to be certain. The provisions in this legislation would assure that no greater damage would be done to these companies nor to their workers. The ASP stands as a major stumbling block towards better trade relationships between the United States and other nations and therefore the proposals to modify it should be adopted. It should also be pointed out that the passage of this legislation does not remove all protection from the chemical industry. The protection that they retain still is much greater than that of most other industries.

The tremendous increase in the use of chemicals in American agriculture has made pesticides, herbicides, insecticides, rodenticides, and fertilizers a major cost item for American farms. Some of these are protected by duty rates of as much as 150%. These intermediates have a duty rate of 140%. Benzenoids such as penicillin have 80% rates.

We believe that these rates can be reduced, although we would not eliminate them. The American Selling Price agreement as a part of the Kennedy Round proposes to do just this. For instance, the benzenoid penicillins would be reduced to between 20% and 30% compared with the present 60%. These are substantial savings for American agriculture, but we believe that they also provide adequate protection for an American industry that can no longer hide behind the title of an infant industry. The fact is that American chemical firms are among the giants of the world and certainly should be able to compete, not only for world markets, which they are doing at the present time—our net exports of chemicals are far greater than our imports—but for the domestic market as well.

FARM PROGRAMS AND TRADE POLICY

American agriculture has a high stake in mutually advantageous world trade. Exports represent a significant part of the total market for our agricultural production; the production from approximately one acre out of four is exported.

In 1967 our agricultural exports reached an all-time high of $6.8 billion. They declined 9% in 1968–69 and have regained some of that loss in 1970 when $6.5 billion in agricultural products were exported.

Many factors caused the decline in farm exports during the marketing year of 1968–69, the most important being a lengthy dock strike along the Atlantic and Gulf shoreline. In addition, the "Green Revolution" in India, Pakistan, and other countries reduced their need for farm products from U.S.A. But perhaps most importantly, the European Common Market and other European countries increased their production through domestic farm programs that provided price incentive without any restraint on production.

Carl Gilbert, in a recent talk before "The International Center of New England, Inc.", summed it up this way:

"At the moment our main problems are concerned with the Common Agricultural Policy of the EC which involves a complicated price support system without production controls; variable levy system to protect domestic production from import competition; and so-called restitution payments which, in effect, subsidize exports. As a matter of internal policy, the EC has elected to fix price supports at unduly high levels which induce uneconomic production, creating surpluses of certain commodities. Surplus production is moved into world markets with the aid of subsidies, which not infrequently amount to several times the value of the commodity. Examples include dairy products, poultry, barley and soft wheat.

"These policies have taken their toll on U.S. agricultural exports to the EC. Exports declined from $1.6 billion in calendar year 1966 to $1.3 billion last year. and all of the decline was in commodities protected by the EC variable levy system. We have noted with interest that the EC apparently has begun to recognize the need to curb production of some commodities in surplus. The Community has, for example, instituted slaughter payments for dairy cattle, and there are payments for the uprooting of certain fruit trees. To date, measures to restrict production have been quite modest; the most effective measure—to reduce domestic agricultural support prices on grains—has yet to be taken."

The problem of the decline in our agricultural exports *does not lie with our own domestic farm programs* but with our inability to negotiate meaningful trade agreements with our trading partners.

We made some headway during the Kennedy Round but our own failure to live up to and use the proper procedures of the International Grains Arrangement has almost brought that agreement tumbling down. Our failure to come to grips with the real problems of world trade has led us to the brink of a world-wide trade war—in which no country will be the winner.

Meeting our trade problems calls for a re-examination of all of the institutions that have been created to govern world trade. The most important of these is the GATT—the General Agreement on Tariffs and Trade. The problem does not necessarily lie with the Agreement, but the manner in which the Agreement has been carried out. The provisions of the Agreement have been abused, and these abuses could have been arrested—had use been made of the provisions for correcting and disciplining these practices.

If GATT has been ineffective in dealing with agricultural trade problems, it may be because we have failed to look at agricultural production in global context. We can correct the flaws in GATT, but we still can have the same trade problems because of the tremendous production capacity of all industrialized nations and some of the developing nations.

The domestic programs of the U.S. have centered around production controls, with income-stabilizing measures, to provide some equality of income to producers in relatinship with other segments of our economy. We believe that they have served farmers well, helped obtain the greatest amount of agricultural exports, with little disruption in world trade patterns.

We are encouraged to see other surplus-producing nations—Canada, Australia and others—taking steps to curb production of primarily grain crops that are in a world state of overproduction. (See Appendix B)

Differences in agricultural policies, cost of production, inflationary pressures, investment in farming and custom and tradition are all factors that must be considered in trying to arrive at some common trade policy. The European Economic Community, for example, has not fully resolved these differences between member countries and this continues to be a perplexing problem. It was a major roadblock to the successful conclusion of the Kennedy Round.

Every major agricultural producing nation in the world which has a democratic government responsible to its primary producers has developed programs and policies designed to increase the bargaining power of such produces in the market place. We find this true in farming, fisheries and lumber. International agreements, therefore, continue to afford our country instruments through which to expand trade to the benefit of both importing and exporting nations.

The treatment of agriculture in the Kennedy Round trade negotiation prompted resolutions and response from major European and American farm groups who are members of the International Federation of Agricultural Producers. IFAP outlined considerations for the negotiation to increase agricultural trade in the Policy Statement of the Seventeenth General Conference of IFAP held in Tokyo, Japan, October 24–November 1, 1969:

"The areas in which developing countries should be particularly active and will have to take important and diffcult initiatives include more especially exporter cooperation in commodity trade and the promotion of greater trade among themselves, implying coordination of economic development policies.

"There are a number of ways that have been suggested for countries exporting those primary agricultural products for which the demand is price-inelastic, and for which prices have been very unstable to take joint action to secure better and more stable prices. The crux of the problem here, as in other fields, is the will and the ability for loyal cooperation among exporters. Importer cooperation is essential so that goodwill is maintained, other forms of development assistance are not compromised, and arrangements work efficiently. Formal or informal international arrangements could wield the requisite market power to bring and hold prices at improved, yet reasonable, levels. Export quotas, preferably supported by production control, are required for such action. For price stability, agreed buffer stock management is in most cases also essential."

Traditional agricultural exporting countries will continue to seek "concessions" on agricultural products analogous to those obtained for industrial products.

If the negotiations are to be successful in the agricultural sector they must start from the basis that the governments cannot *"negotiate" their responsibility to ensure that the incomes of their farm populations bear fair relationship and* *trend with those in other sectors and that the elimination of serious modification of existing agricultural support measures is not feasible.* Governments will therefore be seeking to reconcile the need for income support for agricultural producers and their desire to develop international trade in agricultural products.

The most promising approach will be to examine the position on a commodity-by-commodity basis and to devise—as long as advocated by IFAP—commodity arrangements or agreements, as appropriate, for individual commodities or groups of commodities.

In whatever proposals are made, there must be a basis for reciprocity regarding both obligations and benefits. Thus, to the extent that exporting countries are ready to ensure that their production is at a level broadly in line with outlets, countries must be prepared to make their fair contribution to the establishment of a sound balance on world markets.

Governments must at all times remain conscious of the fact that trade among North American and European countries is only part of world trade, and that recent experiences have show that great opportunities exist for expanding agricultural exports to countries outside the North Atlantic areas.

TRADE RESTRICTIONS

Our interest in the subject matter of proposed and prospective import quota legislation is substantial and is born out of the compulsion of bringing American agricultural trade requirements increasingly into our national trade pattern. This must be done in such a manner as to equitably serve the rights of agricultural producers in proper relationships with those of other segments of the United States economy.

It should be clear that we must bring about a world trade structure, under which regulations and protective devices designed to protect the financial integrity and the job security of American citizens will clearly take account of fundamental necessity of making reasonable provision for trade expansion over a period of time on the basis of competitive efficiency. In fact, the United States has, in my opinion, been reasonably effective in encouraging a trend toward reduction of trade barriers and increasing recognition of competitive efficiency in a trade expansion program. There is still appeal in the slogan of "More Trade and Less Aid in our Foreign Relations Program."

It of course follows that we, whose major interests are agricultural, must clearly recognize as we must ask all other Americans to recognize, that some of our own artificial devices or protective mechanisms, even though they may have been justified at the time of their invention, now stand as impediments to a progressively expanding trade pattern, increasingly responsive to competitive efficiency. Such protective devices must be progressively modified over a period of time to promote maximum trade expansion on the basis of that competitive efficiency.

I would respectfully urge the members of this Committee to consider the fact that agriculture in American has historically been the victim of protectionist policies, designed primarily to protect nonagricultural industry and non-agricultural labor from foreign competition. This is true of H.R. 18970 pending before this Committee—particularly the portions of the bill to provide for orderly trade in textile articles and articles of leather footwear. It may do that, but in doing so it will be restrictive on agricultural exports.

The necessity, therefore, of achieving an orderly growth of agricultural export markets demands that all Americans look with great care and concern upon the legislative imposition of any import quotas which might compel our trading partners in the world to take retaliatory action that is provided in the articles of the General Agreement on Tariffs and Trade.

We yield to none in a genuine desire to protect our own people—in or out of agriculture. We have supported the inclusion of provisions and devices for achieving this level of protection in various pieces of legislation that have come before the Congress for the past many years.

American prices and American wage levels must be given reasonable protection. But we dare not permit that protection to approach the point of stagnation of our economy, or any segment thereof. Nor may we justify permitting a type or degree of protection to develop for any segment of the economy that seriously threatens or impairs existing exports.

We may indeed face the necessity even now of some degree of temporary protection for some products of industry if it is determined that a situation which was beyond their controls may have placed such American industry at a competitive disadvantage, by reason of the fact that industries in certain other countries of the world were virtually destroyed; and thereby, of necessity, rebuilt on a pattern that provides them some measure of competitive superiority in steel, or in textile manufacture, for example, and that this may have been born out of national necessity, rather than corporate or individual complacency.

Surely some method of achieving that degree of protection, short of destroying the prospect of orderly trade expansion and development, can be found without resorting to legislatively established quotas, as seem to be envisioned in some of the proposals with which this Committee must be concerned; and which would surely result in serious reduction in U.S. exports.

May I respectfully again call your attention to the fact that under the Trade Expansion Act of 1962, the United States Congress and the Administration gave to American agriculture the prospect of a National Trade Policy moving progressively toward a realistic *inclusiion of agricultural trade requirements in that national policy.* It is my earnest hope that this progress toward organizing the world's trade, in justice and equity to producers and consumers, can be continued over the next several years.

We must not destroy this market potential. We must, on the contrary, take pride in the progress being made, and ask that the more developed countries and the less developed countries join us, as we prove ourselves willing to join with them; in seeking further progress and development of an *expanding trade on the basis of efficiency* exercising only that caution and care which domestic well-being clearly dictates, and standing ready to consider any unusual compensations that the overall national well-being and economic progress may require in the case of destruction or impairment of financial integrity and/or job security of any industry—which may of necessity be damaged in pursuit of the broad national well-being.

We must seek Trade Expansion—not Trade Restriction as a continuing National Policy. We do not believe that H.R. 18970 will lead this nation towards trade expansion. In recent meetings with producers of both Japan and the Common Market countries, they have told us of their great concern over the restrictive provisions in the Trade Act of 1970.

We cannot expect equal treatment by the European Economic Community regarding our agricultural exports if, at the same time, we are closing the trade door in their faces.

There are many good features in the Trade Act of 1970, but we would much rather lose them than have the Act become law. Its total profile is protectionism; therefore, the National Grange urges its defeat.

Statement by Patrick B. Healy, Secretary of the National Milk Producers Federation

THE FEDERATION

The National Milk Producers Federation represents American dairy farmers and the cooperative dairy plants which they own and through which they process and market, on a cost basis, the milk produced on their farms.

EXPORT SUBSIDIES

Heavy export subsidies are being used by foreign nations to dump their surplus dairy products into world trade channels and to undercut our domestic markets.

In the Common Market, butter is price supported at 78 cents per pound and is sold for processing of export products at 11 cents per pound. The subsidy in this case is six times the export sale price.

Other sample export subsidies are: butterfat 78.93 cents per pound, nonfat dry milk 9.98 cents per pound, and cheddar cheese 30.84 cents per pound.

COUNTERVAILING DUTIES

The Secretary of the Treasury is required to collect countervailing duties on imports equal to the amount of the export subsidy used by the exporting nation.

In July 1968, we requested that countervailing duties be applied to the case of dairy products.

It is now more than two years later and no such duties have been collected.

REPEAL OF COUNTERVAILING DUTIES

It would be a most serious mistake to repeal the countervailing duty statute with respect to items under import quotas as section 302(a) of H.R. 17550 (Senate amendments Nos. 925 and 1009, section 302(a), page 45) would do. Foreign nations are not entitled to be granted a license to engage in such unfair trade practices.

Granting some discretion to the Secretary of the Treasury to apply countervailing duties is inadequate.

This is the same official which for more than two years has failed to enforce the present positive requirement for the collection of countervailing duties.

REAPPRAISAL NEEDED

Our foreign trade policies are seriously out of line with realities.

Unneeded imports add millions of dollars of unnecessary cost to the dairy support program, undermine the nation's agricultural markets, and result in loss of opportunity for our own people.

The advent of the European Common Market completely changed the whole concept of international trade. All efforts to get the Common Market to go back to idealistic free trade concepts and to abandon its import controls and export subsidies have failed.

The United States cannot continue to close its eyes to this fact and go on living in the dreamland of the past.

THE IMPORTANCE OF IMPORT CONTROLS

Neither our agricultural dairy program, nor the American dairy industry, as we know them today, can exist under present conditions of world trade without effective import controls.

We dare not rely on an overseas source of supply for such essential foods as milk and dairy products.

NEW LEGISLATION NEEDED

Section 22 of the Agricultural Adjustment Act has been tried and found wanting. It has been characterized by a long history of easy and repeated evasion of its inadequate quotas.

A new evasion fiasco is now in progress in the form of imports of a butterfat-sugar mixture labeled ice cream. Another costly and time consuming Tariff Commission hearing began July 7, 1970. The previous one ended only a year and a half ago.

The 1970 proceeding already is inadequate, and a new round of evasion is building up for next year in the form of lactose, cheese priced at 47 cents or more per pound, and other items.

This means more damaging imports, more waste to the support program, and another round of costly Tariff Commission hearings.

DAIRY IMPORT ACT

This proposed legislation would put a top limit on imports of butterfat and nonfat milk solids in any form, thus ending the ever continuing rounds of evasion we have experienced in the past.

CONCLUSION

Heavy export subsidies are being used by foreign nations to undermine our domestic markets for dairy products.

Present law requires this to be stopped through the use of countervailing duties.

The Secretary of the Treasury has failed to enforce this law.

Repeal of the countervailing duties as to items under import quotas, as provided in section 302(a) of H.R. 17550 (Senate amendments Nos. 925 and 1009, section 302(a), page 45), would be a serious mistake.

We urge the Committee to delete this provision from the proposed "Trade Act of 1970."

WAYS AND MEANS STATEMENT

Our statement before the House Ways and Means Committee on June 16, 1970, deals with the problem of dairy imports and the use of export subsidies by foreign nations in greater detail. A copy is attached.

STATEMENT BY PATRICK B. HEALY, SECRETARY OF THE NATIONAL MILK PRODUCERS FEDERATION ON TARIFF AND TRADE PROPOSALS—JUNE 16, 1970, BEFORE THE WAYS AND MEANS COMMITTEE OF THE HOUSE OF REPRESENTATIVES, U.S. CONGRESS

SUMMARY

The Federation

The National Milk Producers Federation represents American dairy farmers and the cooperative dairy plants which they own and through which they process and market, on a cost basis, the milk produced on their farms.

Our agricultural programs

Prices paid to farmers for milk are supported at levels ranging between 75 and 90 percent of parity. This is accomplished by removing surplus supplies from the market through purchases made by the Commodity Credit Corporation.

Imports increase the total surplus, displace a commercial outlet for domestic dairy products, and result in millions of dollars of wasted and unnecessary cost to the support program.

The importance of import controls

Neither our agricultural dairy program, nor the American dairy industry, as we know them today, can exist under present conditions of world trade without effective import controls.

We dare not rely on an overseas source of supply for such essential foods as milk and dairy products.

Principles of foreign trade

Broad principles of free trade in many cases are impractical when applied to specific commodities. This is particularly true of dairy products, considered in the light of the adverse world trade conditions which exist today.

Unneeded imports add millions of dollars of unnecessary cost to the support program, undermine the nation's agricultural markets, and result in loss of opportunity for our own people.

Reappraisal needed

Our foreign trade policies are seriously out of line with realities.

The advent of the European Common Market completely changed the whole concept of international trade. All efforts to get the Common Market to go back to idealistic free trade concepts and to abandon its import controls and export subsidies have failed.

The United States cannot continue to close its eyes to this fact and go on living in the dreamland of the past.

Tariffs are obsolete—quotas are essential

Export subsidies, steadily increasing inflation, and currency manipulation have rendered tariffs meaningless.

Import quotas provide a definite and known level of imports to which the market can adjust and against which both foreign nations and our domestic producers can make long range plans.

New legislation needed

Section 22 of the Agricultural Adjustment Act has been tried and found wanting. It has been characterized by a long history of easy and repeated evasion of its inadequate quotas.

A new evasion fiasco is now in progress in the form of imports of a butterfat-sugar mixture labeled ice cream. Another costly and time consuming Tariff Commission hearing will begin July 7, 1970. The last one ended only a year and a half ago.

The present proceeding already is inadquate, and a new round of evasion is building up for next year in the form of lactose, cheese priced at 47 cents or more, and other items.

This means more damaging imports, more waste to the support programs, and another round of costly Tariff Commission hearings.

Ice cream

The current evasion product is another butterfat-sugar mixture used in the manufacture of ice cream.

It contains 20–24 percent butterfat, about 14 percent nonfat milk solids, and 17–18 percent sugar, It has an overrun of 10–30 percent.

Domestic ice cream normally contains 10–12 percent butterfat, 10–12 percent nonfat milk solids, 17–18 percent sugar, and an overrun of about 80–90 percent.

The evasion product is classified as ice cream by the Commissioner of Customs, which enables it to evade the quotas on butterfat-sugar mixtures and on ice cream mix. The Secretary of Agriculture treats it as ice cream mix, thus enabling it to avoid the foot and mouth disease regulations on ice cream.

Imports in 1969 were over 20 million pounds and resulted in wasted and unnecessary cost to the price support program of $4.20 million.

Imports in the first quarter of 1970 were 11 million pounds and cost the price support program $2.29 million. First quarter imports were at an annual rate of 44 million pounds.

Lactose

Lactose imports jumped tenfold from less than 400,000 pounds in 1968 to more than 4 million pounds in 1969. First quarter imports in 1970 were at an annual rate of 5.48 million pounds.

It is not included in the present Tariff Commission hearing, which means that another hearing will be necessary.

Forty-seven-cent cheese

The present quota on Emmenthaler, Gruyere-process, and "other" category cheese priced under 47 cents per pound was inadequate when it was applied in January 1969.

Imports in the first quarter of 1970 expressed as a percentage of 1969 were as follows: Emmenthaler Jan. 276, Feb. 261, Mar. 131; Gruyere-process Jan. 179, Feb. 226, Mar. 126; "Other" cheese Jan. 307, Feb. 369, and Mar. 210.

In the case of "other" cheese, 40.5 percent of the 1969 total was priced free of quota. In the first four months of 1970, the imports priced free of quota had reached 64.7 percent of the total.

Cheese priced at 47 cents or more is not included in the present Tariff Commission hearing which means that another hearing will be necessary.

Export subsidies

Heavy export subsidies are being used by foreign nations to dump their surplus dairy products into world trade channels and to undercut our domestic markets.

In the Common Market, butter is price supported at 78 cents per pound and is sold for processing of export products at 11 cents per pound. The subsidy in this case is six times the export sale price.

Other sample export subsidies are: butterfat 78.93 cents per pound, nonfat dry milk 9.98 cents per pound, and cheddar cheese 30.84 cents per pound.

Countervailing duties

The Secretary of the Treasury is required to collect countervailing duties on imports equal to the amount of the export subsidy used by the exporting nation.

In July 1968, we requested that countervailing duties be applied in the case of dairy products.

It is now almost two years later and no such duties have been collected.

Representative Byrnes' bill H.R. 17743

This bill would transfer from the Bureau of Customs to the Department of Agriculture the classification of products subject to quota.

Classification for quota purposes should be made by the same agency that administers the quotas.

Dairy Import Act

This proposed legislation would put a top limit on imports of butterfat and nonfat milk solids in any form, thus ending the ever continuing rounds of evasion we have experienced in the past.

Conclusion

Effective import controls are necessary, in the light of present world trade conditions, if our dairy industry is to survive. We dare not depend on off-shore supplies of essential foods such as milk and dairy products.

Section 22 has proven itself ineffective. It has been characterized by repeated evasion and by repeated costly hearings. More are in the making.

Congress should step in to stop the continual waste we have experienced under section 22 and should provide permanent and effective import controls.

This could be done through the proposed Dairy Import Act which would put an overall ceiling on imports of milk and milk solids in any form.

The continual evasion could be stopped also by imposing an overall quota on milk and milk solids in any form not covered by specific section 22 quotas.

THE FEDERATION

The National Milk Producers Federation is a national farm commodity organization. It represents dairy farmers and the dairy cooperative associations which they own and operate.

These are agricultural marketing cooperatives which enable farmers, by acting together, to bargain more effectively for the sale of the milk produced on their farms.

In some of these cooperatives farmers have banded together to build and operate their own dairy plants. Through these plants, they process, on a cost basis, the milk produced on their farms and market it in the form of finished dairy products.

Practically every form of dairy product produced in any substantial volume in the United States is produced and marketed by dairy cooperative plants represented by the Federation.

The Federation is, therefore, directly concerned with the adverse effect of excessive dairy imports on American dairy farmers and on the supply of milk produced in this country. We also are directly concerned with the effect of excessive imports on dairy plants operated in this country and with the effect of such imports on the domestic market for dairy products.

OUR AGRICULTURAL PROGRAMS

There are presently in effect in this country important agricultural programs authorized by Congress, including one for milk and dairy products. Under this program, prices paid to farmers for milk are supported at levels ranging between 75 and 90 percent of parity. This is accomplished by removing surplus supplies from the market through purchases made by the Commodity Credit Corporation.

Parity is a formula for measuring the relationship between the prices farmers receive for the commodities they sell as compared with the prices farmers pay for the things they buy.

One of the objectives of the dairy program is to maintain the purchasing power of dairy farmers as an important factor in the national economy.

Another objective, of great importance to the security of the Nation and to its general welfare, is to assure adequate supplies of essential foods produced from sources within our own shores. We would be most foolish to rely on an overseas source of supply of dairy products which could not be depended upon in times of emergency.

THE IMPORTANCE OF IMPORT CONTROLS

Neither this important agricultural program, nor the American dairy industry, as we know it today, can exist under present conditions of world trade without effective import controls.

PRINCIPLES OF FOREIGN TRADE

The Federation has no quarrel with the principle that foreign trade should be expanded, provided such trade is beneficial and not destructive.

Broad general principles of free trade, however idealistic they may sound in the abtsract, are often impractical and unrealistic when applied to specific commodities. This is particularly true when they are considered in the light of the adverse conditions which prevail today in world trade.

Beneficial foreign trade does not result to the United States from excessive imports of dairy products which are already in surplus supply and which we do not need. Such imports burden the support program with millions of dollars of wasted and unnecessary cost, undermine the nation's agricultural production and markets, and result in loss of opportunities for our own people.

This country is committed to a high standard of living, high wage rates, and the maintenance of agricultural prices at levels which will protect the purchasing power of farmers. As a result of lower production costs in some countries, and the use of heavy export subsidies by many foreign nations, our agricultural prices, in most cases, even though still below parity, are far above world price levels.

As long as this condition exists, import controls will be necessary to prevent world surpluses from being drawn to our more attractive stabilized markets. The same price differences make export price adjustments necessary if we are to retain a fair share of the world agricultural market.

REAPPRAISAL NEEDED

A reappraisal of our foreign trade policies by Congress in a more practical and realistic light is long overdue. The European Common Market has sharpened the need for such a review by rendering obsolete earlier concepts of foreign trade, particularly in the agricultural field.

Aside from this, the extremely wide variations in prices, wages, costs, and other factors which exist between different countries make the general application of free trade policies impractical.

We believe Congress is becoming increasingly aware of the fact that our foreign trade policies are seriously out of line with realities. The large number of members of Congress who have introduced import control bills so indicates. For example, a total of 59 Senators and over 200 members of the House introduced legislation in the previous Congress to provide more effective quotas on dairy imports under the proposed Dairy Import Act. Numerous similar bills have been introduced in the present Congress.

Import bills on other commodities also have had an impressive number of sponsors in both the Senate and the House.

TARIFFS ARE OBSOLETE—QUOTAS ARE ESSENTIAL

It is our firm conviction that quotas are the most effective form of import control and also that they are the fairest to all parties concerned.

Tariffs have been rendered meaningless by currency devaluation and manipulation, by steadily increasing inflation, and by export subsidies in what ever amounts are necessary to move the product into our markets. The volume of imports which will enter under a fixed tariff is uncertain and cannot be predicted for future years.

On the other hand, when quotas are set, foreign, nations know exactly what they can depend on in the American market, and they can adjust their production and marketing accordingly.

In the same manner, American producers know what the value of imports will be, not only currently but for several years ahead, and they can make long range plans, as they must do, if this country is to enjoy assured supplies of an essential food.

Furthermore, it is our belief that a definitely known volume of imports causes less disruption of the market than would the same volume when coupled with uncertainty as to whether the imports would stop at that level or possibly go far beyond it.

NEW LEGISLATION NEEDED

We have been through an almost continuous series of situations where imports got completely out of hand and where the use of controls has been too little and too late. The effect has been to drive prices to the support floor, add many millions of dollars of wasted and unnecessary cost to the support program, and demoralize and discourage America's dairy farmers.

Legislation is desperately needed to prevent this from happening again. Unless Congress steps in to bring some measure of dependability and respectability to our dairy import controls, we fear other similar fiascos will result. One is in progress now and new ones are building up for the future.

Import controls are presently in effect on some dairy products under section 22 of the Agricultural Adjustment Act.

This section has not been adequate, and controls under it have been weak and ineffective. It has been characterized by a long history of easy and repeated evasion of its quotas.

Another reason section 22 controls are inadequate is that they are available only to protect certain agricultural programs. Legislation is needed not only to provide more positive controls but also to provide coverage for agricultural commodities which may not be subject to a support program.

Without such legislation, the American dairy industry can never rise above a support program, because, as soon as it becomes self-sufficient, import controls will be removed and imports will force it back into a new support program.

It is, therefore, most important to reevaluate the import control program for dairy products and to provide positive and effective controls under new legislation.

ICE CREAM

The current evasion product is another butterfat-sugar mixture used in the manufacture of ice cream.

This will be the fourth time that butterfat-sugar mixtures to be used in ice cream have been the subject of Tariff Commission hearings to stop the evasion of previously estabilshed inadequately worded quotas.

The first evasion product was Exylone which contained 76.6 percent butterfat. The second evasion product was Junex which contained just under 45 percent butterfat. The third product was Junex which purported to be packaged in retail wrappers.

The present product contains from 20 to 24 percent butterfat, with the more recent imports running at 24 percent, an average of about 14 percent nonfat milk solids, and about 17 to 18 percent sugar. The majority of the imports have had an overrun of about 30 percent, but some imports have been admitted with an overrun as low as 10 percent. Domestic ice cream normally contains from 10–12 percent butterfat, 10–12 percent nonfat milk solids, about 17–18 percent sugar, and an overrun of about 80–90 percent.

The new evasion product is labeled "ice cream," and the Customs Bureau has classified it as ice cream, thus enabling it to avoid the import quotas on butterfat-sugar mixtures and on ice cream mix.

This is strictly an evasion product developed and imported for the purpose of evading the quotas on other ice cream ingredients.

The mixture would not be sold as ice cream because of the extremely high butterfat content as compared to normal ice cream. Retail purchasers would not buy it or eat it as ice cream because of its high butterfat content and low overrun. The Department of Agriculture will not permit it to be distributed as ice cream and requires it to be reprocessed in this country as ice cream mix. This is because great quantities of it have been coming from countries infested with foot and mouth disease.

This presents the incongruous situation of the Commissioner of Customs holding in one hand a frozen conglomerate mess, overloaded with butterfat and overloaded with nonfat milk solids; which no one would sell, no one would buy, and no one would eat, as ice cream and at the same time holding in the other hand an affidavit of the importer to the general effect that the product will not be used as ice cream, but will be used only as ice cream mix. The Commissioner then declares the product to be ice cream and free of the import quotas on butterfat-sugar mixtures and on ice cream mix.

It further presents the incongruous situation of one Government agency saying the product is ice cream, thus enabling the product to avoid the import quotas, while another Government agency says the same batch is not ice cream, thus enabling the product to avoid the regulations on ice cream imports from foot and mouth disease countries.

The new evasion product is not a normal historical import. It was developed in late 1969 to avoid inadequate controls set up to close loopholes left open in previously established inadequate quotas.

By August 8, 1969, imports had reached approximately half a million pounds, and it was obvious that the break in the dike would reach serious proportions if left unchecked.

At that time, we requested the Secretary of Agriculture to take immediate emergency action to control the imports and at the same time to initiate a proceeding under section 22 of the Agricultural Adjustment Act to establish a permanent quota.

No action was taken on these requests, and the flood of unneeded imports, which we had warned against, did develop.

During the latter part of 1969, in a period of about 5 months, imports reached a total of 20 million pounds.

In the first quarter of 1970, imports of the new evasion product were over 11 million pounds. This is at an annual rate of 44 million pounds. April imports were over 3 million pounds.

It is estimated that the cost of removing a corresponding amount of domestically produced butterfat and nonfat milk solids through the purchase program of the Commodity Credit Corporation was:

1969	$4.20 million
January-March 1970	2.29 million
Total	6.50 million

(Using 14 percent nonfat milk solids with a removal cost of 25 cents per pound and 20 percent butterfat with a removal cost of 69 cents per pound.)

The cost to the support program will be higher per pound of imports after April 1, 1970, due to the increase in the support price.

This added and unnecessary cost to the support program is continuing and the total is increasing each day that action to control this new evasion effort is delayed.

This is a substantial amount of money under any circumstances in a tight budget year; but it takes on special significance when it is a useless and preventable waste.

On April 22, 1970, we again requested emergency action to stop this flood of imports and to cut off this useless waste of price support funds.

No emergency action was taken, and the Tariff Commission proceeding announced May 13, 1970, was not accompanied with any provisions for emergency controls.

LACTOSE

Next year's evasion product began entering the United States market even before this year's Tariff Commission hearings had been announced. This product should have been, but is not, included in the current section 22 proceeding.

The new evasion item is Lactose. This is a form of milk sugar derived from whey, which is a surplus product within the United States. Imports jumped ten fold from less than 400,000 pounds in 1968 to more than 4 million pounds in 1969. Imports in the first three months of 1970 were 1,370,000 pounds. This represents an annual rate of 5,480,000 pounds. April imports were 443,000 pounds.

Earlier imports were primarily from West Germany, the Netherlands, and Switzerland. More recent reports show Holland getting into the act. If previous evasion history repeats itself, other nations will come into reap as big a profit as possible at the cost of the support program before any effective action is taken to close this loophole.

Lactose is a normal historical import, which heretofore has been used primarily in drugs. The import level for 1968 was less than 400,000 pounds. However, it is not a normal historical import in the quantities and for the purposes now being imported, but is another evasion type of import.

It now is being used in low fat fluid milk, candy, baby food, and, most importantly, as an ingredient in ice cream.

In these uses particularly, it displaces a market for nonfat milk a, quota product, which is then forced into the hands of the Commodity Credit Corporation at additional cost to the support program.

Lactose is produced in the United States, the 1968 production being 83 million pounds. Two of our member cooperative associations are currently building a new plant to produce lactose in this country.

On March 30, 1970, we requested the Secretary of Agriculture to take action under section 22 of the Agricultural Adjustment Act to control this sudden upsurge in lactose imports on an emergency basis and at the same time to initiate action to establish permanent controls.

The Secretary did not use the emergency powers authorized by Congress, and the section 22 proceeding announcd May 13, 1970, does not include lactose as one of the items to be considered.

This means that this loophole will be left open; that unneeded imports will continue to add unnecessary and wasted cost to the support program; and that, after much additional harm has been done, we will again have to go through another round of time consuming hearings before the Tariff Commission to stop another round in the almost continuous history of evasion.

47-CENT CHEESE

One of the gaping loopholes in the import quotas established under section 22 of the Agricultural Adjustment Act is the 47 cent price break.

This device was initiated in the last hearing over repeated warnings that it would constitute another open invitation to evasion.

In spite of these warnings the price break was included in the quotas for Emmenthaler and Gruyere-process Cheese and in the quota for cheese designated as "other" cheese.

This did result in a loophole, as had been predicted, and foreign nations responded promptly to exploit it.

The pending section 22 hearings not only leave this loophole open but further expand it to include low fat cheese.

What this means is that another round of section 22 hearings is already in the making for next year.

This will come about after much unneeded imports have been dumped on the American market, after many thousands of dollars of wasted cost have been incurred under the price support program, and at a further waste of time and expense involved in going through another Tariff Commission hearing.

This is in line with the previous history of the inadequate and wasteful administration of section 22 which we have experienced over many years.

Under the 47 cent price break, quotas on Emmenthaler, Gruyere-process, and "other" category cheese apply only to cheese priced below 47 cents per pound.

The figure of 47 cents per pound was the price at which the Commodity Credit Corporation was buying domestic cheese under the price support program at the time the price break was adopted.

Since that time the CCC purchase price was increased to 48 cents on April 1, 1969, and to 52 cents on April 1, 1970.

This increase, of course, has the effect of rendering further ineffective and impractical the already ineffective and impractical price break of 47 cents.

The new hearings for this year do not correct the defect of the 47 cent price break nor take any recognition of the increase in the price support level which has occurred since the 47 cent break was adopted.

The 47 cent price is the export price ready for shipment to the United States. To this would be added transportation and insurance costs of about 2.5 cents per pound and the U.S. duty. The duty on Swiss cheese for 1970 is 11 percent and on "other" cheese is 14 percent. Both of these rates are scheduled for further reductions in 1971 and again in 1972.

This means a duty paid cost in this country of about 54.7 cents for Swiss and 56 cents for "other" cheese.

The trouble with a price break is the ease with which it can be evaded through rebates and other artificial pricing arrangements.

Another objection to a price break is that it drives our domestic production down to the level of processing quality cheese while our domestic markets for high quality cheese are given away to foreign nations. This results from lower production costs in foreign nations and from the use of export subsidies in whatever amounts are required to take over the American market.

We produce substantial quantities of high quality cheese in this country, and we ought not to destroy this important segment of the dairy industry.

Furthermore, the invasion of our markets by uncontrolled imports of higher priced cheese, deprives our own producers of this outlet and forces a corresponding quantity of domestic production into the support program at added and unnecessary cost.

The Department of Agriculture after discussing the 47 cent price break predicted that cheese imports will approximate quota levels for types which are under quota, but will rise for nonquota varieties. (Dairy Situation, March 1970.)

The import figures bear out this prediction.

Article and month	1970 as a percentage of 1969
Emmenthaler:	
January	276
February	261
March	131
Gruyere-process:	
January	179
February	226
March	126
"Other" cheese:	
January	307
February	369
March	210

April imports were down slightly, possibly as a result of the announcement of this hearing, or possibly as a result of the impending section 22 hearing. The 47 cent cheese was not included in the current Tariff Commission hearing.

That the present quotas are ineffective is further indicated by the volume of cheese now priced above the 47 cent price break. We do not have figures on the percentage of cheese priced below 47 cents prior to the establishing of the quota on such cheese, but we believe they would show a sharp shift to quota free cheese priced at 47 cents or more.

For 1969, in the case of "other" cheese, 40.5 percent of the total was priced free of quota and 59.5 percent was priced within the quota. For the first four months of 1970, these figures were practically reversed with 64.7 percent of the total being priced free of quota and only 35.3 percent within the quota.

In the first four months of 1970, in the case of Swiss cheese, 88 percent of the Emmenthaler imports were priced free of quota and 71 percent of the Gruyere-process imports were priced free of quota.

Failure to include the 47 cent cheese in the present Tariff Commission hearing means that the stage already has been set for another round of evasion and for another round of Tariff Commission hearings.

EXPORT SUBSIDIES

It would be utterly foolhardy to leave the American dairy market unprotected against a destructive level of imports in the face of the extremely heavy export subsidies being used by foreign nations to dump their surpluses into world trade.

The relatively higher prices prevailing in this country as compared to world prices make our markets a prime target for the surplus dairy production of the world.

While some European countries have now set their domestic prices at a level reasonably comparable to ours, they have set up strict import controls to prevent imports from entering at cheaper prices to upset their domestic markets.

The dairy farmers represented by the Federation have no quarrel with the efforts of the Common Market countries to improve the lot of their dairy farmers. Neither do we have any quarrel with their use of import controls to protect their domestic price system against cheaper world price imports.

We do part company with them, however, when they use export subsidies to dump their surpluses into world trade, and, particularly, when they use every conceivable device to unload their surpluses on our markets and undermine our efforts to provide a reasonable economic standard for our own farmers.

We disagree, also, mostly strongly, when they oppose our efforts to maintain reasonable import controls to protect our domestic price support program from the effects of a destructive level of lower priced imports.

In the case of export subsidies, the National Milk Producers Federation has consistently maintained the position that we should use export subsidies only to the extent necessary to move into world trade our fair share of such trade at prices which will not be disruptive. We never have advocated the dumping of our surpluses on world markets. We maintained this position in 1963 and other years when we had a serious surplus problem.

Other nations have not accorded us the same considerations we have accorded them in the area of international trade.

To be brutally blunt about it, but realistic, they have taken every possible opportunity to raid our markets, evade our import controls, and undermine our agricultural programs.

That is the reason we have had to look to Congress, and must continue to look to Congress, for help, if the dairy industry in this country is to survive.

We must maintain within our own shores a dependable source of supply for such vital foods as milk and dairy products.

The advent of the European Common Market completely changed the whole concept of international trade. This has been quite obvious for many years.

The United States cannot close its eyes to this fact and continue to live in the dreamland of the past.

All efforts to get the Common Market to go back to the idealistic free trade concepts of the past and to abandon its import controls and export subsidies have failed. There is no ray of hope on the horizon to indicate that this will come about for many years, if ever.

We must be realistic and protect our own markets against subsidized exports, and the protection must be effective and not subject to continual evasion.

Practically all nations use export subsidies of one form or another, but the most serious problem is the Common Market.

Listed below are some examples of the export subsidies.

In the Spring of 1968, France with an average domestic wholesale price of over 80 cents per pound was exporting butter at 13–29.5 cents per pound. The Dutch with an average wholesale price of approximately 72 cents per pound was exporting butter at 15–25 cents per pound. Nonfat dry milk with a Paris wholesale price of about 21 cents per pound was being exported at 10–13 cents per pound. (Foreign Agriculture, U.S.D.A. 3/4/68.) At about the same time, evaporated milk was being dumped on the American market through the use of export subsidies ranging from 4.67–5.86 cents per pound (U.S.D.A.).

Following the application of the EEC's new dairy regulations on July 29, 1968, common export subsidy rates for dairy products were set. These have remained basically the same up to the present time. (Foreign Agriculture, U.S.D.A., 8/26/68.)

The Wall Street Journal reported in its September 25, 1968, issue that some foreign nations were subsidizing domestic butter production at 85 cents per pound and selling it for export at 10 cents per pound.

Foreign Agriculture, U.S.D.A., March 16, 1970, reporting on Common Market export subsidies noted that "butter—price supported at 78 cents per pound—is sold for processing of export products at 11 cents a pound."

The butterfat used in the butterfat-sugar mixtures, including the current evasion product labeled ice cream, is obtained from such butter or from heavily subsidized butteroil.

The following are sample export subsidies used by the Common Market:

Article:	*Export subsidy (cents per pound)*
Butter	60.33
Butterfat	78.93
Nonfat dry milk	9.98
Canned milk	4.99
Powered cream and sugar	26.08
Swiss cheese	17.24
Blue-mold cheese	13.61
Edam and Gouda cheese	12.50
Cheddar cheese	30.84

(Source: U.S.D.A.)

Processed products receive export subsidies based on their content of base commodities.

Some of the export subsidies vary by destination and are set at the level necessary to penetrate a particular market. This leads to some fantastically high subsidies in comparison with world prices. The subsidies on nonfat milk solids, butter, and sugar exceeded the world price level for the same product. For butter, it was almost five times the world price.

As noted above, with a wholesale butter price of 78 cents and a price for processing for export of 11 cents, the export subsidy of 67 cents is more than six times the sale price of the exported butter.

The export subsidies of the Common Market enables its exporters to undercut competing prices at all times. (Foreign Agriculture, U.S.D.A., 3/16/70.)

This makes it absolutely necessary for this country to maintain effective import controls to prevent the dumping of foreign surpluses on our markets and to protect our domestic agricultural programs from destruction.

The failure of the Administration to take effective action in this matter means that foreign nations will continue to raid the American markets with some 3.5 million pounds per month of a subterfuge ice cream product, and that the imports of this one item alone will cost the American taxpayers over $750,000 per month in wasted and preventable extra cost to the support program.

The above figures are based on the average monthly imports for January–April 1970. Foreign nations are quite likely to use the time remaining, before the Tariff Commission can act, to dump every possible pound of their surplus on our shores.

In the last Tariff Commission hearing more than 6 months elapsed between the President's request of June 10, 1968, and the final action imposing quotas on January 6, 1969.

In 1969, Belgium was the principal supplier of the evasion ice cream imports, sending in 77 percent of the total.

However, in 1970, this picture changed, and New Zealand, one of our most persistent loophole exploiters, clobbered us with imports of approximately 7.8 million pounds in the first quarter. This was over 70 percent of the total imports of the evasion product for that quarter. New Zealand imports in April were 1.3 million pounds with Belgium climbing back from 98,650 pounds in January to 1.7 million pounds in April.

COUNTERVAILING DUTIES

In connection with our foreign trade policies, Congress recognized that some form of counter action would be required to prevent foreign nations from dumping their surplus products on our markets through the use of export subsidies.

To this end, it enacted the countervailing duty statute providing for the collection of additional duties on articles if their exportation had been subsidized by a foreign nation. The countervailing duties are equal to the export subsidy and are in addition to the regular duties. The effect, when the statute is enforced, is to offset the advantage that otherwise results from the use of the export subsidies.

There never has been a time, so far as we know, in the history of dairy imports, when there was a greater need for this statute.

Export subsidies being used by foreign countries are, in some cases, five times the world price.

In the Common Market, with a wholesale butter price of 78 cents per pound, butter for processing for export is priced at 11 cents per pound. The subsidy of 67 cents is more than six times the sale price of the exported butter.

The export subsidies of the Common Market enable its exporters to undercut competing prices at all times. (Foreign Agriculture, U.S.D.A., 3–16–70.)

The export subsidy on butterfat in the Common Market is 78.93 cents per pound compared to our current support price of 71.5 cents per pound.

The countervailing duty statute is positive and mandatory. It contains no exceptions and the Secretary of the Treasury has no discretion as to its application. He cannot select the nations or the articles against which the law will be applied or waive its application as to any particular nation or article.

The statute provides that "there shall be levied and paid," in addition to other duties, an additional duty equal to the export subsidy. It provides that the "Secretary of the Treasury shall" determine the amount of the export subsidies and provide for the assessment and collection of the additional duties. (Sec. 303 of the Tariff Act of 1930, 19 U.S.C. 1303.)

The Federation on July 26, 1968, requested the Commissioner of Customs to make an immediate investigation into export subsidies being used with respect to dairy products being imported into the United States. We requested also that countervailing duties be imposed promptly in accordance with the mandatory provisions of the Tariff Act above mentioned.

This request was supported by reference to official United States Government statements and publications showing the amounts of subsidies and the foreign nations using them.

It should have been possible within a few days time to have imposed the countervailing duties required by law.

Almost two years have elapsed, and the Secretary of the Treasury has not collected a single countervailing duty on a single dairy product.

Since our original request of July 26, 1968, we have, on numerous occasions, further requested action to impose countervailing duties and have supplied additional information as to the amounts of export subsidies being used by foreign nations. Most of this information has been from official publications of the United States Government.

In addition to our efforts, many members of Congress also have brought this problem to the attention of the Secretary of Treasury and the Commissioner of Customs and urged that the law be enforced.

The countervailing duty statute imposes a clear responsibility on the Secretary of the Treasury to collect these charges. This responsibility is fully comparable to that which exists with respect to the collection of other import duties enacted by Congress.

The failure of the Secretary of the Treasury to impose the countervailing duties required by Congress has resulted in the loss of substantial revenue to the United States. This loss is continuing and the total is increasing for each additional day that the Secretary fails to act.

REPRESENTATIVE BYRNES' BILL, H.R. 17743

The bill H.R. 17743 proposes to transfer from the Bureau of Customs to the Department of Agriculture, the jurisdiction over defining dairy products in connection with the importation of dairy products.

The enactment of the proposed legislation will help to correct situations such as described above with respect to ice cream.

It is obvious that the Department of Agriculture is more knowledgeable on what constitutes a dairy product than the Bureau of Customs.

We hope this Committee will give favorable consideration to this import proposal.

DAIRY IMPORT ACT

The Federation helped develop and is strongly supporting the proposed "Dairy Import Act."

This legislation would provide a fair and practical approach to the dairy import problem. Furthermore, it would be effective, and it would put a stop to the long history of evasion and subterfuge which importers and foreign nations have engaged in under our present laws. It would be efficient, because it would be self-activating at the prescribed level of imports and would bypass the present time-consuming and unsatisfactory proceedings before the United States Tariff Commission.

Basically, the Dairy Import Act would limit imports by quotas to the average level imported during the historical base period of 1961–1965. Later years would not be included in the base period, because they were not normal import years.

Limiting total dairy product imports to the 1961–1965 average is more than fair to foreign nations, because these years include relatively high levels of imports which had been steadily increasing.

The Dairy Import Act would permit foreign nations to share in future developments of the domestic market. This would be accomplished by increasing or decreasing the permitted level of imports in proportion to increases or decreases in domestic consumption.

New products could be allocated a share in the imports, but this would be done within the limits of the overall quota. In the same manner, special needs could be recognized by varying the import level of particular products or varying the relative shares of the quota by country of origin within the overall quota limit.

Provision is made for emergency action and for overriding considerations of national interest to be exercised by the President.

CONCLUSION

Effective import controls are necessary, in the light of present world trade conditions, if our dairy industry is to survive.

We dare not depend on off-shore supplies of essential foods such as milk and dairy products.

Section 22 has been tried many times and has proven itself to be inadequate. It has been characterized by repeated evasion and by a continual series of costly hearings. More are in the making.

Congress should step in to stop the waste we have experienced under section 22 and should provide permanent and effective import controls.

This could be done through the proposed Dairy Import Act which would put an overall ceiling on imports of milk and milk solids in any form.

The continual rounds of evasion could be stopped also by imposing an overall quota on milk and milk solids in any form not covered by specific section 22 quotas. This would leave section 22 fully operative in all respects, but would merely put a catch-all basket quota under it. The basket quota would not interfere with the normal level of normal historical imports but would block off abnormal evasion items and the raiding of our markets by abnormally high levels of export-subsidized foreign surpluses.

We have waited a long time and have put up with fiasco after fiasco under section 22. We are faced with another one now, and more are already in the making for the future.

We have waited long enough and section 22 has been given more than a fair chance to work—but it has failed.

It is time now for Congress to act.

STATEMENT OF IRVING W. ALLERHAND ON BEHALF OF CITC INDUSTRIES, INC.

I am Irving W. Allerhand, Vice President, CITC Industries, Inc., 180 Madison Avenue, New York, New York, a firm engaged in the sale and distribution of imported footwear throughout the United States.

All of us throughout the country whose livelihood derives from giving the American consumer a wide variety of choice among prices and styles of shoes support legislation before this committee, which promotes a growing, healthy trade and oppose the so-called orderly trade in textile and footwear which would inhibit trade. Those witnesses who have appeared here advocating arbitrary limits on the importation of footwear have completely failed to prove that such action is necessary for the survival of their businesses. Setting aside for the moment all other considerations—the interest of the consumer, the short and long range effects on American exports, etc.—the striking fact on this record is that the domestics have not established a factual basis for their demands. Invariably, when faced with soft spots in the economy of their industry, domestic shoe producers lay the blame on imports. This is an easy answer but not an accurate one.

Shoe production is a mixed industry of both large and small United States companies and multi-national giants such as Interco and Genesco. There is a varying pattern of many small producers scattered among some huge conglomerates. Six hundred seventy-five companies in 1,000 establishments in 38 states were found in a recent Tariff Commission Report. Fifty-eight companies manufacture over half of the total U.S. output. In any industry having so many companies so disparate in size, facilities, management, capital, and sales ability, there will be found the whole range of business success, business problems, and business failures.

Aggressive, well-managed shoe companies, be they large or small, are capturing their share of the market and are very profitable. On June 19, 1969, *Footwear News* carried a report issued by the Securities and Exchange Commission showing that while the Fortune Magazine five hundred "largest industrial companies had a return on invested capital of 11.7%, publicly owned footwear manufacturers had a return on capital of 15.9% and footwear suppliers had a return of 12.4%." Problems occurring within the industry are, according to objective reports, attributable to many factors and cannot be said to stem from imports alone.

The *Journal of Commerce* on April 7, 1970, reported on a study done by the Federal Reserve Bank of Boston and stated that restricting the volume of imports would not solve the industry's problems. The study itself is a very comprehensive work and deserves great attention, particularly when contrasted with the unsubstantiated assertions of the industry. Since it is the New England segment of the industry which is most vocal in asking for import restrictions, a study of the economics of that region is most useful. The shoe industry as it exists in New England is composed of a large number of relatively small firms. It is a relatively easy business to enter and leave, thus explaining many of the so-called failures. The required capital investment is relatively limited and the leasing of equipment is widespread. Another factor found by the study was the competition for labor in New England. Specialized industries such as electronics have been winning the battle for workers from the shoe producers. As the study says, this may explain why shoe production employment was increasing in some southern states and declining in New England. In addition, the old New England facilities were found to be unattractive and unappealing places in which to work. The following significant conclusion was made:

"In fact, many New England shoe manufacturers feel that the major constraint upon the level of their output is not foreign competition, but the high cost of labor in New England."

It is also noted that one major problem facing the New England shoe industry can be traced directly to the nature of the industry. The modest level of required capital outlay for entry is characteristic and when styles undergo major and frequent changes, most small producers experience financial strain. The companies most frequently cited as experiencing difficulty were makers of high fashion women's shoes. They lost their business not to imports, but to the manufacturers of women's casual flats, when the traditional dress shoe heel dropped.

Many of these same factual criticisms of the New England shoe industry have been made by one of America's major retailers, Lawrence E. McGourty, President of Thom McAn. In a recent interview, Mr. McGourty said, "If New England shoe manufacturers would do some real research of the market and be sensitive to new styles, they wouldn't know what to do with the business they'd get." Mr. McGourty went on to say that whatever problems may face the manufacturers of women's dress shoes, it is not imports. The problem is that the 25 to 30 year old women of middle and low income no longer accept dress shoes New England manufacturers have made for years.

"New England makers of women's dress shoes have been complacent, making the styles they have always made. Two years ago the complacency caught up with them. They have gone, with tunnel vision, down one road, and they have come to its end," McGourty said. Shoe industry leaders have said that cheap labor in foreign factories enables imports to undersell U.S. shoes. But McGourty answers, "All of our imported shoes sell at a higher price, or the same price, as the domestic brands. None sell for less.

"Nor have I ever heard at Thom McAn a decision to buy a certain foreign shoe from Italy or Spain rather than the U.S. because the foreign shoe was cheaper or of a greater 'shoe value'. We buy because we want to get the style.

"Can these shoe manufacturers make whatever they please and expect to be protected from customers tastes?" McGourty added.

Lastly, in response to the requests for import quotas, Mr. McGourty said, "The New England shoe industry blames its troubles on imports, but in fact, lack of creativity, market analysis and research are at fault."

The Federal Reserve Bank study concludes that it is debatable whether trade restrictions would permanently solve the problems of the New England shoe industry, noting that the regional wage differentials in the nation make the New England industry vulnerable to domestic competition. Other reasons given for rejecting a quota approach are (1) damage to exporters in New England, (2) much higher priced shoes and restricted choice for consumers, (3) retaliation by foreign governments against U.S. exports, and (4) the inherent conflict with the movement toward freer trade in the world. According to Arthur H. Watson, Chairman of IBM, jobs directly attributable to exports are estimated at 300,000 in New England alone.

The May 21, 1970, *Journal of Commerce* quoted Charles F. Adams, Chairman of the Raytheon Company, Lexington, Massachusetts, "Last year more than 20% of Raytheon's sales dollars came from outside the United States."

A principal cause of some unemployment in the New England shoe industry is the abandonment of ancient facilities in that area and establishment of new plants in southern states and in Puerto Rico. Uniroyal, one of the largest manufacturers of sneakers and canvas sports shoes, has announced the tentative decision to end production at Naugatuck, Connecticut, and Woonsocket, Rhode Island, stating that the Naugatuck facilities were over 100 years old and no longer competitive with foreign and domestic producers. The company also said that there has been a proliferation of low cost domestic footwear manufacturers paying wages far below Uniroyal scales, and that they were forced to abandon the outmoded New England facilities and are starting production at new footwear plants in Dublin, Georgia, and Farmville, Virginia. A. B. F. Goodrich Co. report in the *Wall Street Journal* of February 19, 1970, stated Goodrich also had heavy operating losses from duplicate operations in the footwear division where an obsolete plant at Watertown, Mass., was being phased out after new Southern plants" were opened in Lumberton, North Carolina, and Elgin, South Carolina.

Also, in the the *Wall Street Journal* of March 27, 1970, Goodrich announced "plans to move headquarters of its footwear operation into a new office building" in Charlotte, North Carolina. "A distribution center capable of storing five million pairs of footwear will be opened adjacent to the headquarters," the company said. The company noted that the "headquarters of the division has been Watertown, Mass., where the company closed a large plant late last year because it had become obsolete."

Implicit in the announcements by Uniroyal and Goodrich is a significant fact not frequently acknowledged. Automation and machine production are coming rapidly to the shoe industry. Endicott Johnson Corporation, a major shoe producer, opened a new plant employing the injection molding process originally developed for high quality sneakers, but suitable for other types of footwear as well. These machines, according to Endicott Johnson, are veritable giants which effect enormous labor savings and turn out fine quality shoes at a tremendous rate.

This new type of automation is so advanced that the entire industry is on the threshold of a new era. As far back as 1964, in an appearance before the Tariff Commission and other government agencies, the President of this company, Jonas Senter, described the new machinery that was being developed at that time and predicted the technological revolution that is occurring today.

Endicott Johnson was recently the subject of an exchange offer to its shareholders from McDonough Company. In the exchange offer prospectus, there is extensive factual data about Endicott Johnson as required by the Securities Act of 1933, known as the "truth in securities law". The truth about Endicott Johnson's decline in earnings is not import competition, but these admitted facts—increased interest charges, extraordinary renovation expenses in modernization, and expenses of inactive facilities. Being forced to tell the truth, this major manufacturer notes that it discontinued the manufacture of women's and girls' fashion shoes not because of imports but owing to a disproportionate low return on investments. Also, it was not foreign competition, but unprofitability, which forced them to eliminate three shoe plants and to consolidate in other existing plants. Domestic factories that are efficiently managed and programmed are so busy that customers seeking shoes are on a factory-imposed quota basis, e.g., Lawrence Maid is now producing 54,000 pairs of shoes per day of popular priced vinyl footwear.

Another U.S. producer, Ramer Industries, Inc., has adopted the injection molding technology and claims that it produces shoes on precision equipment turning out more than 120 perfectly finished pairs per hour per unit and eliminating more than 14 tedious and costly manufacturing steps for every pair. These and many other companies are producing machine-made shoes of high quality at a low cost, and they are competing very successfully with both domestic and foreign manufacturers. The shoe industry was not complaining during its record breaking year of 1968. The question is what went wrong in 1969 that has led to the cries for protection. *Business Week*, in an analytical article, found that the domestics have themselves to blame for losing part of their market share through mistakes in styling.

"The industry misstepped on styling for women's shoes. It committed itself to the 2½-year-old 'monster' look imported from Italian styling salons, and found a large number of American women completely turned off—both aesthetically and financially.

"In terms of sales, this last error proved the most serious. Some observers liken it to the marketing fiasco suffered by the Edsel a decade ago. And at least one shoe company admits to management changes, as well as a realignment of priorities, as a result of its boot.

"*How it happened.* Essentially, the monster disaster was one of being too late with too much. The monster, in the language of the trade, is the wide-heeled shoe with a bulbous toe that caught on with the young and avant-garde in the summer of 1967. At first, the domestic shoe industry dismissed the look as freakish. "We thought it would go for about 90 days, and then bomb.' says a marketing man at Brown Shoe Co., Inc., in St. Louis, the shoemaker with the largest sales volume in the U.S.

"But he was wrong. And so were other U.S. companies. The style continued popular and European shoemakers cleaned up. When the domestic industry finally decided to go after the fad a year ago, its timing as well as its product proved to be a flop.

" 'We forgot all rules and we took our eye off the ball,' says a shoe company executive. The ball in this case was the older, traditional buyer of women's shoes. Brown estimates that some 50% of the women's market did not like the product it was offered.

"*The outcome.* The results should have been predictable. With about 65% of its wholesale business in women's shoes. Brown's unit sales are down. Men's and children's shoes make up the rest of its business, and both of these lines did well. But this was not enough. Earnings at Brown will be down substantially to $2.40 a share this year compared with $3.14 a share last year."

The article goes on the point out, however, that other major producers, such as Interco in St. Louis, had a year which compares favorably with 1968.

The Federal Reserve study properly noted the danger to exports if any quota legislation forces a foreign retaliation. This prospect would be most alarming in the case of New England, which is dependent on exports and an ever-growing export market. On May 21, 1970, the International Center of New England, Inc. called on New England manufacturers to look increasingly to overseas markets to compensate for reduced demand at home. It was pointed out that one growing New England company made 25% of its sales overseas and that another substantial concern reported "43% of our revenues and 53% of our net income are derived from international operations."

The domestics constantly harp on alleged impact of imports on workers. What they always fail to tell this committee is the tremendous benefits that are derived from trade in the form of jobs and earnings. On October 3, 1969, the Senate Small Business Committee heard from Thomas J. Soules, Port Director of the Massachusetts Port Authority. Mr. Soules noted that the importation of shoes into Boston and the development of container service, very suitable for shoes, was attracting more and more imports and making New England into a distribution center for the country. He also noted that New England was an exporter of shoe machinery and over one million dollars of shoes to Japan in 1968 alone. Mr. Soules noted that Boston shoe imports play an essential role in keeping the longshoremen's union and the Port of Boston alive. The longshoremen had lost almost 25% of their manpower but with the increase in shoe imports and the growth of container services Boston is hopeful of regaining the lost longshoremen jobs. The following colloquy is illustrative of all Mr. Soules's testimony:

"Senator McIntyre: Your position would be that anything that restricts imports you would be opposed to?"

"Mr. Soules: It hurts the Port of Boston and at a time when we have a very good chance to really move."

How ironic it would be if an industry that cannot prove a case for import restrictions could trigger a trade war that might be a disaster for the whole New England area.

The domestics have proved that they can compete and successfully so. It may be that some will have to try a little harder. In other testimony before the Senate Small Business Committee, it was pointed out to the shoe industry by a member of the Senate that at one time still camera imports controlled 70% of the American market. The U.S. producers did not ask for a quota but simply rolled up their sleeves and out-did the foreign competition by technology, know-how and research.

If the domestics are allowed the protection of a tariff wall, the ultimate loser will be the American consumer, who will pay ever higher prices for less choice, and the industry itself will stagnate from lack of incentive and competition.

The United Shoe Workers of America have publicly announced that they will demand a "substantial" package of increases in wages and fringe benefits. The coupling of arbitrary limits on competition with increased union demands would cause an immediate and substantial increase in prices the consumer must pay for his footwear. Such a lack of self-restraint by the unions is certainly not consistent with their professed desire to maintain a healthy industry.

A point made in earlier testimony is very critical to the issue before this Committee. Almost two-thirds of all imported footwear is simply not competitive with the products of the U.S. industry. Half of the 1969 imports consisted of inexpensive vinyl footwear, and approximately one-sixth of the imports consisted of leather sandals. In these categories, U.S. production is almost non-existent.

We strongly believe that if imports can be shown to be the principal contributing factor to unemployment, then adjustment assistance is an absolute necessity. We support the Administration's objectives of improving and liberalizing the adjustment assistance provisions of the present law. The domestic producers have made their plea for quotas, have argued their cause, but have not proven their case.

COLLIER, SHANNON, RILL & EDWARDS,
ATTORNEYS AT LAW,
Washington, D.C., October 12, 1970.

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: We are counsel for the Tanners' Council of America, Inc., 411 Fifth Avenue, New York, New York 10016. On behalf of the Council we wish to express the strongest support for the trade measures now before your committee. You are greatly to be commended for your prompt action in moving this legislation ahead.

In recent years American Tanners' have seen serious inroads made by imports of all types of leather goods. The baseball glove industry, for example, has been virtually lost to Japan in its entirety. The unmistakable trend of footwear imports over the last few years indicates that the same fate must inevitably befall the leather and vinyl footwear industry in the United States.

The quota provisions of the Mills Bill are realistic and rational. This measure, employing as it does the orderly marketing approach, will assure fair and equitable participation in the United States market by both domestic and foreign producers. An important segment of our domestic economy badly needs the legislation which you now have under consideration. The Tanners' Council of America is proud to be counted among the supporters of the Trade Bill of 1970.

Sincerely,

R. H. S. FRENCH.

STATEMENT OF THE BICYCLE MANUFACTURERS ASSOCIATION OF AMERICA, INC.

This statement is submitted on behalf of the Bicycle Manufacturer's Association of America, Inc., which is a nonprofit trade association with headquarters in New York City. A list of the members of the Association appears as an appendix to this statement.

DOMESTIC BICYCLE INDUSTRY SUFFERING SEVERE INJURY FROM IMPORTS

The members of the Association welcome this opportunity to support Amendment 925 and Amendment 1009 to H.R. 17550. We support these amendments, which are identical to the Trade Act of 1970, H.R. 18970, because today the domestic bicycle industry is suffering severe injury due to imports.

In 1966 bicycle imports were 16.1 percent of domestic consumption; in 1968 they were 20.4 percent of domestic consumption; and by 1969 they were 28 percent of domestic consumption, up 37 percent from 1968 and 74 percent from 1966.

PAST IMPACT OF IMPORTS ON THE DOMESTIC INDUSTRY

To fully understand our concern that this trend will in fact continue, it is necessary to know the history of the impact of imports on the domestic bicycle industry. For many years preceding, and during and immediately following, World War II, bicycle imports were less than 1 percent of domestic consumption. In 1947, however, the United States, under the multilateral General Agreement on Tariffs and Trade, cut the tariff on lightweight bicycles from 15 to 7½ percent and from 30 to 15 percent on all other models.

Although in 1948 many of the foreign countries were still busy attempting to reach their pre-war levels of production, the record shows that it did not take long for the GATT reduction to take effect. Between 1948 and 1956 the ratio of bicycle imports to domestic consumption climbed from .6 percent to 41.2 percent:

Year	Percent	Year	Percent
1948	0.6	1952	11.8
1949	1.0	1953	22.8
1950	3.4	1954	38.2
1951	9.0	1955	41.2

In October 1951, after the domestic industry had seen the number of bicycle imports increase twelvefold from 15,757 in 1949 to 176,257 in 1951, the members of the Bicycle Manufacturers Association filed for "escape clause" relief under Section 7 of the Trade Agreements Extension Act of 1951. The Tariff Commission conducted an investigation and, on October 9, 1952, concluded that bicycles were not being imported in such increased quantities as to cause or threaten serious injury to the domestic bicycle industry.

The above chart shows how wrong the Tariff Commission was. Despite the fact that domestic manufacturers had modernized their plants at great expense, the lower labor and material costs of foreign manufacturers enabled them to steadily erode the Americans' share of their own market. Tariff Commission figures developed later show that during the period 1951–1954 there was a 16 percent reduction in the number of persons employed in the bicycle industry and a 24 percent reduction in the number of manhours of bicycle employees.

In a final effort to remedy this serious injury the Bicycle Manufacturers Association in June 1954 again applied for "escape clause" relief. This time the Tariff Commission could not deny the damage that had been done and recommended to the President that the tariff rate on all bicycles be increased to 22½ percent. The President partially accepted this recommendation, imposing effective August 18, 1955, an increase in existing rates, raising lightweights from 7½ percent to 11¼ percent and other models from 15 percent to 22½ percent.

This partial relief, along with drastic measures by the domestic industry to cut prices and costs, helped to stabilize import penetration in the neighborhood of 30 percent of the domestic market for the next eight years. However, at a rate of approximately 30 percent the domestic industry continued to sustain serious injury.

In 1964 the domestic industry first developed the "high rise" bicycle, characterized by smaller wheels and high handlebars. The model immediately caught on with the youngsters, and the importers' percentage of the U.S. market fell sharply from 29.3 percent in 1963 to 19.8 in 1964. In 1965 and 1966, as sales of high risers continued to increase and foreign manufacturers were not yet fully equipped to produce them in large amounts, import penetration continued to fall off:

Year:	*Percent*	Year—Continued	
1963	29.3	1965	18.3
1964	19.8	1966	16.1

By 1967 high rise bicycles accounted for 61 percent of the domestic market and were still increasing in popularity. But three other facts overshadowed the significance of this achievement for the domestic bicycle industry. First, mounting inflationary pressures were beginning to have a real effect on the cost of manufacturing a bicycle in the United States. Second, foreign manufacturers had copied the popular high rise and, capitalizing on their own cost advantages, were sending them to the United States in increasingly larger quantities. Third, on June 30, 1967, the United States became a party to the infamous Sixth (or "Kennedy") Round of trade negotiations under the General Agreement on Tariffs and Trade. Notwithstanding the probable consequences, the United States agreed to reduce the existing rates on all bicycles by 50 percent over a five-year period beginning January 1, 1968.

As we have indicated, by the end of 1969, after only two of the five steps of the Kennedy Round tariff reductions, imports had risen as follows:

	Units	Units increase over Dec. 31, 1966 level
1966	927,223	
1967	1,117,146	189,923
1968	1,540,167	612,944
1969	1,981,047	[1] 1,053,824

[1] Equal to 114 percent.

SITUATION NOW MORE PRECARIOUS THAN EVER BEFORE

The situation now is more precarious than it ever has been before. We are experiencing only our third Kennedy Round reduction in 1970, with two more still to come. Here in the United States labor and manufacturing costs continue to rise. Abroad, manufacturers have become extremely adept at copying our styles, and they do so with far smaller labor and manufacturing costs and, in many cases, with the benefit of various subsidies and rebates. These advantages aid not only the traditional importers of bicycles in to the United States but also countries not heretofore in the U.S. bicycle market. Taiwan, for example, shipped 91,126 bicycles into the United States in 1969; in 1968 it exported only 12,415. These bicycles were manufactured by workers who receive an average wage of 20 cents per hour.

In testimony before the House Ways and Means Committee Hearings on Tariff and Trade Proposals in 1968 we stated our concern and concluded as follows:

"We do not claim that we are today in an extreme condition although our market loss is twice that of other industries appearing here. We say we are threatened by imports, that unless some relief can be provided when we need it we will suffer serious harm and that present avenues to relief are wholly inadequate."

Well today, in 1970, the bicycle industry is in that "extreme" condition which it foresaw in 1968. We have done everything a responsible industry can do. We have moved our factories many miles to more economical operatng areas. We have modernized our plants and equipment.

Nevertheless, imports continue to mount because foreign producers enjoy cost advantages, rebates, grants and subsidies which are not available here in the United States. The obvious result has now begun: the idling of expensive equipment and the loss of thousands of jobs in the domestic bicycle manufacturing and related industries.

Just recently a domestic manufacturer announced the closing of its plant in Michigan City, Indiana. (See attached newspaper account). This plant has been an employer in the Michigan City community since 1916, and only the current flood of imports is responsible for its being shut down. Within two months time its workers, many of whom have no other skills, will be unemployed. Each domestic manufacturer, and each of their employees, are now asking themselves, "Will I be next?"

TRADE ACT OF 1970 AN EQUITABLE SOLUTION

It is clear that we and similarly situated industries are confronted with an extremely serious problem. Question only remains as to the most effective form of relief.

Amendments 925 and 1009 would amend H.R. 17550 by incorporating therein H.R. 18970, the Trade Act of 1970. We fully support that Act. It would make relief available to every domestic industry which is being injured by imports, yet it would permit foreign producers to share in any growth in the U.S. market. It would provide a fair, equitable solution to a very difficult problem.

The domestic bicycle industry urgently needs relief. Unless we are permitted to compete with foreign manufacturers on an equitable basis, we will face further production cutbacks and the resulting loss of jobs, and the Michigan City plant and its tragic consequences will soon become commonplace throughout the entire country.

MEMBERS OF THE BICYCLE MANUFACTURERS ASSOCIATION

AMF Cycle Division, West 65th and Patterson, Little Rock, Arkansas 72209.
AMF Wheel Goods Division, P. O. Box 344, Olney, Illinois 62450.
Chain Bike Corporation, 350 Beach 79th Street, Rockaway Beach, New York 11693.
Columbia Manufacturing Co., Inc., Westfield, Massachusetts 01085.
Huffman Manufacturing Company, P. O. Box 1204, Dayton, Ohio 45401.
Huffman Manufacturing Company of California, 1120 West Foothill Boulevard, Azusa, California 91702.
MTD Products, Inc., 5389 130th Street, Cleveland, Ohio 44111.
Murray Ohio Manufacturing Company, 635 Thompson Lane, Nashville, Tennessee 37204.
H. P. Snyder Manufacturing Company, Inc., Little Falls, New York 13365.

[From the Michigan City, Ind., News Dispatch, Apr. 11, 1970]

EXCELSIOR PLANS TO CLOSE PLANT WITHIN 2 MONTHS; BICYCLE IMPORTS BLAMED

Excelsior Manufacturing Co. will close its plant at Kentucky and William Streets within two months.

Excelsior is the third industry to close manufacturing operations in Michigan City the past year. One new firm, W. R. Grace and Co.'s Formed Plastics Division, established manufacturing operations here in February. Seventeen industrial firms here have either expanded present facilities or built larger plants since 1968.

In announcing transfer of all Excelsior operations to its parent company. If, P. Snyder Manufacturing Co. Inc., Little Falls, N.Y., Excelsior general manager B. C. Flint blamed the plant's closing on an accelerated increase of bicycle imports. The plant manufactures bicycles, play cycles and exercisers.

Flint said the plant normally employs between 100 and 130 people. A union official for Teamsters Local 298 earlier this week estimated that about 100 people are currently employed by the company during its production cycles. Teamsters local president William Jenkins said yesterday afternoon that negotiations for severance pay will begin late next week.

Flint said work is expected to continue at the plant on a reduced basis while an effort is being made to help employes find other jobs.

In a written statement, Flint explained economic factors which he said necessitated the closing.

He said, "The consolidation is being made to obtain all possible economies in an effort to compete with the flood of low-cost imports accelerated by the Kennedy round of tariff decreases put into effect Jan. 1, 1968. Under the Kennedy round, bicycle tariffs have been lowered 30 per cent and will be lowered an additional 20 per cent over the next two years. Bicycles made by foreign workers entered the United States at a very high rate during 1969, reaching a total of 1,970, 528."

Flint said that during last January imports jumped about 425 per cent over January, 1969, imports. Jenkins said a major part of the imports are manufactured in Japan.

Excelsior began operations there in 1916 as the Excelsior Cycle Co. In 1934 the firm changed ownership and assumed its present name. Its parent firm was established at its present New York location in 1893.

During the early 1950s Excelsior's Hopalong Cassidy cowboy model bicycle was a national favorite. In recent years, the company has manufactured many bicycles marketed by retail chains under the retailer's trade names.

Trailco Company's Norwin Division plant closed here March 31. About two years ago, that plant employed approximately 100 persons. Employment had dropped to about 75 persons in the last year.

Dunham-Buch Inc. closed its plant here last August. About 440 workers were employed at its Michigan City plant when the company announced Feb. 18, 1969, that it was moving operations to facilities owned by its parent corporation, Signal Oil Corp., in Harrisonburg, Va.

TOOL AND STAINLESS STEEL INDUSTRY COMMITTEE,
Washington, D.C., October 12, 1970.

HON. RUSSELL LONG,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: The Tool and Stainless Steel Industry Committee is an association of fifteen domestic producers of specialty steels. On behalf of this committee I wish to express our unqualified support of the Trade Bill of 1970, now under consideration by your committee.

I know you are well aware of the international trade problems which have lately beset the manufacturers of tool and stainless steel in this country. The so-called voluntary limitation program which has to some extent alleviated import injury to the producers of carbon steel have been singularly ineffective in slowing imports of the more sophisticated and therefore more costly materials manufactured by our members. While the 1970 Trade Bill does not adequately meet the problem of increasing specialty steel imports it does offer some valuable and badly needed improvements in the machinery for combating this harmful trade imbalance.

The antidumping and countervailing duty amendments alone would render this legislation worthy of your prompt attention and action. Delays in processing antidumping cases and countervailing duty complaints have reduced these potential avenues of relief to frustrating dead ends.

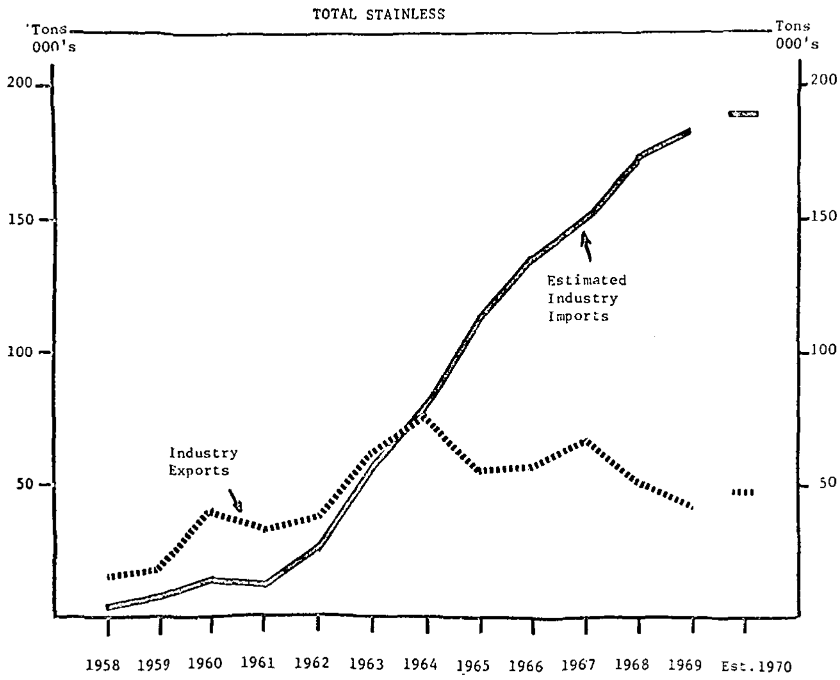
We would hope that your prompt action on this legislation would permit its enactment by the 91st Congress. If we can be of any service to you or your staff we hope you will not hesitate to contact us.

Sincerely,

THOMAS F. SHANNON.

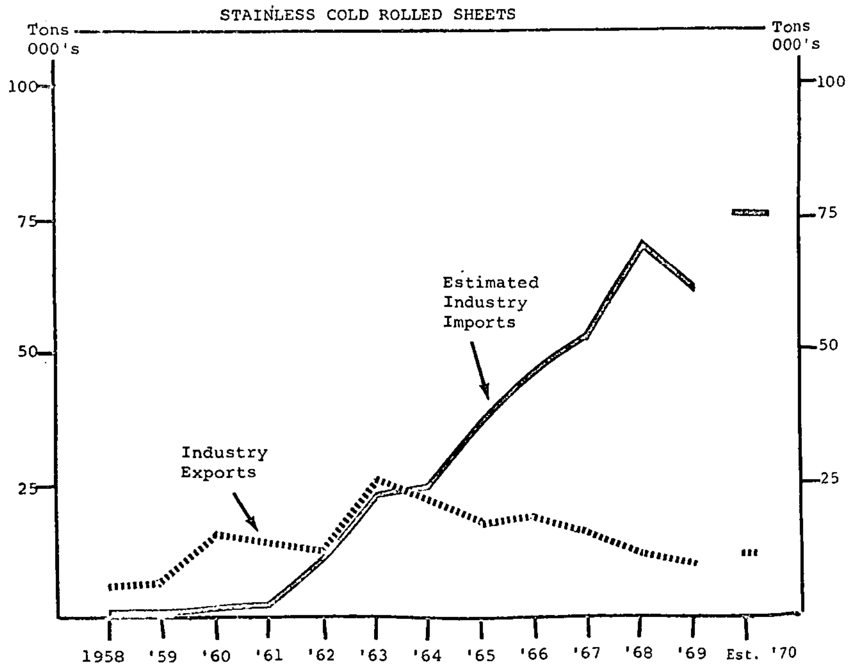
TOTAL STAINLESS

	Industry data (tons)		Imports as a percent of domestic market
	Exports	Estimated imports	
1958	14,740	3,705	0.8
1959	17,666	6,925	1.1
1960	41,281	14,081	2.6
1961	32,974	12,577	2.3
1962	37,737	27,102	4.4
1963	61,588	55,589	8.5
1964	75,554	79,352	10.2
1965	55,008	112,868	12.0
1966	55,777	135,327	13.4
1967	65,771	149,321	16.2
1968	51,363	171,871	18.3
1969	41,323	182,224	17.3
Estimated 1970	49,520	188,370	20.9



STAINLESS COLD-ROLLED SHEETS

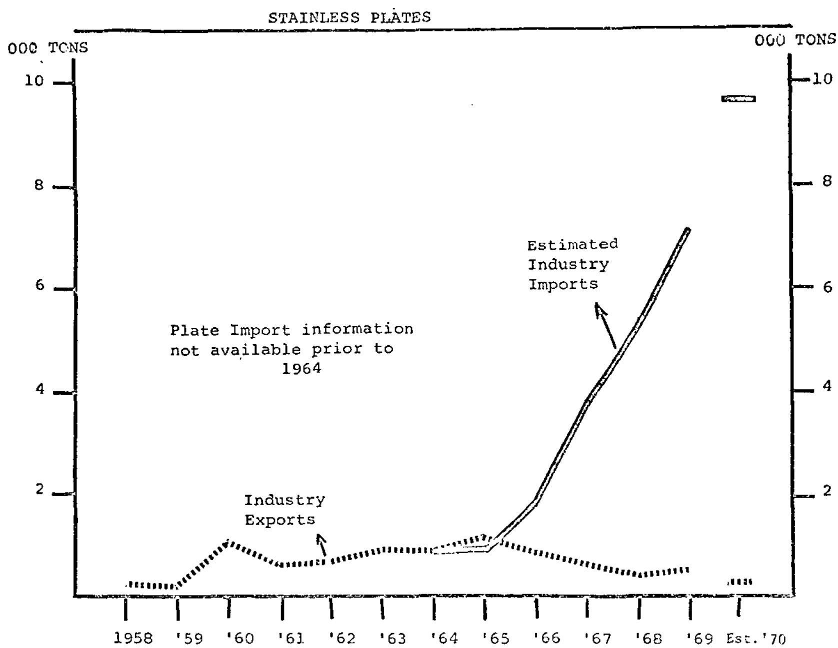
	Industry data (tons)		Imports as a percent of domestic market
	Exports	Estimated imports	
1958	6,446	295	0.3
1959	6,884	907	.6
1960	16,208	1,954	1.6
1961	14,527	2,301	1.7
1962	12,921	11,781	8.1
1963	26,017	23,631	15.3
1964	22,008	24,985	14.2
1965	18,191	37,245	17.7
1966	19,158	47,228	20.1
1967	16,593	53,066	23.6
1968	11,593	69,012	28.0
1969	10,380	62,739	22.7
Estimated 1970	11,506	75,306	33.0



STAINLESS PLATES

	Industry data (tons)		Imports as a percent of domestic market
	Exports	Estimated imports	
1958	279		(1)
1959	215		(1)
1960	1, 082		(1)
1961	611		(1)
1962	647		(1)
1963	901		(1)
1964	791	786	1. 3
1965	1, 136	884	1. 2
1966	866	1, 899	2. 4
1967	622	3, 787	5. 9
1968	423	5, 198	8. 4
1969	519	7, 153	9. 6
Estimated 1970	580	9, 692	14. 7

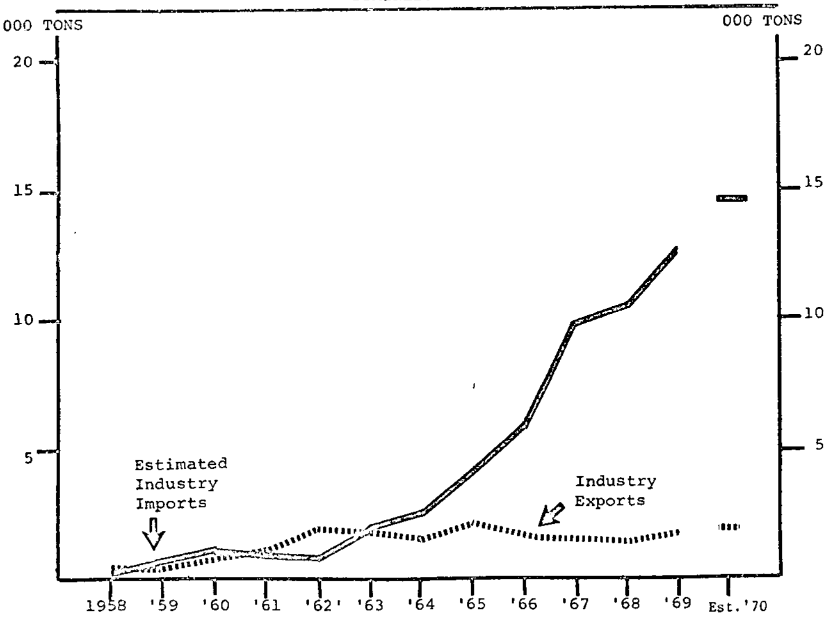
1 Complete import data was not available until 1964.



STAINLESS BARS

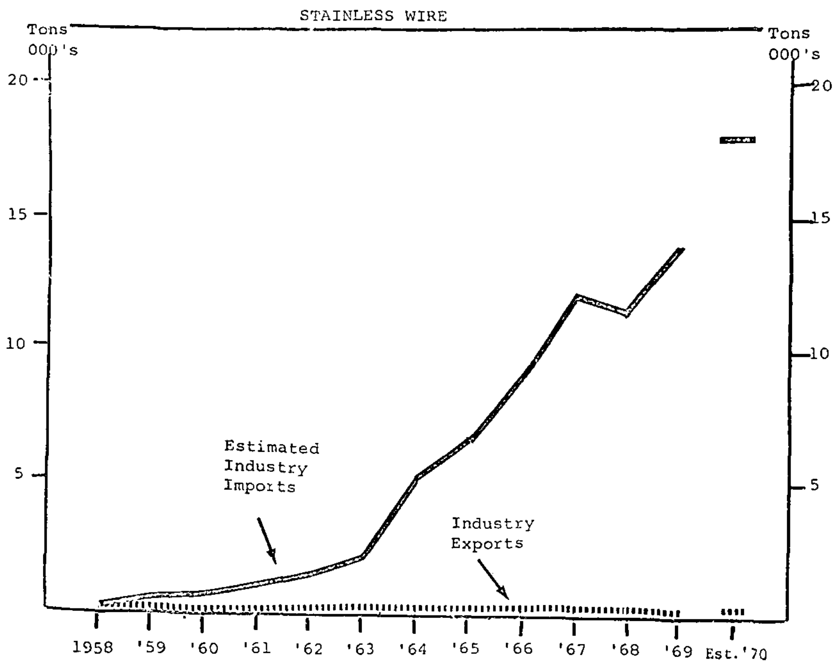
	Industry data (tons)		Imports as a percent of domestic market
	Exports	Estimated imports	
1958	440	296	0.4
1959	374	706	.7
1960	787	1,147	1.2
1961	1,001	991	1.0
1962	1,918	976	.9
1963	1,722	1,884	1.7
1964	1,481	2,487	2.1
1965	2,022	4,122	2.8
1966	1,690	5,846	3.4
1967	1,531	9,796	6.2
1968	1,431	10,483	6.9
1969	1,729	12,628	7.8
Estimated 1970	2,190	14,814	10.0

STAINLESS BARS



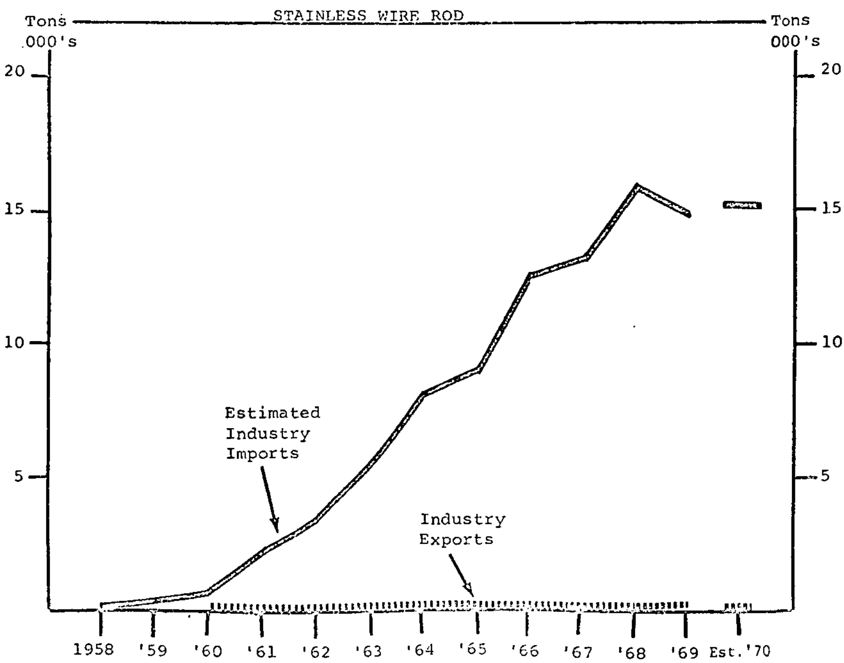
STAINLESS WIRE

	Industry data (tons)		Imports as a percent of domestic market
	Exports	Estimated imports	
1958	112	117	0.5
1959	59	666	2.2
1960	135	798	3.3
1961	231	1,026	4.1
1962	269	1,453	5.2
1963	250	2,089	8.0
1964	236	5,028	16.6
1965	386	6,625	19.3
1966	140	9,156	21.6
1967	204	12,012	29.1
1968	178	11,364	31.6
1969	120	13,966	35.4
1970, estimate	274	18,098	51.4



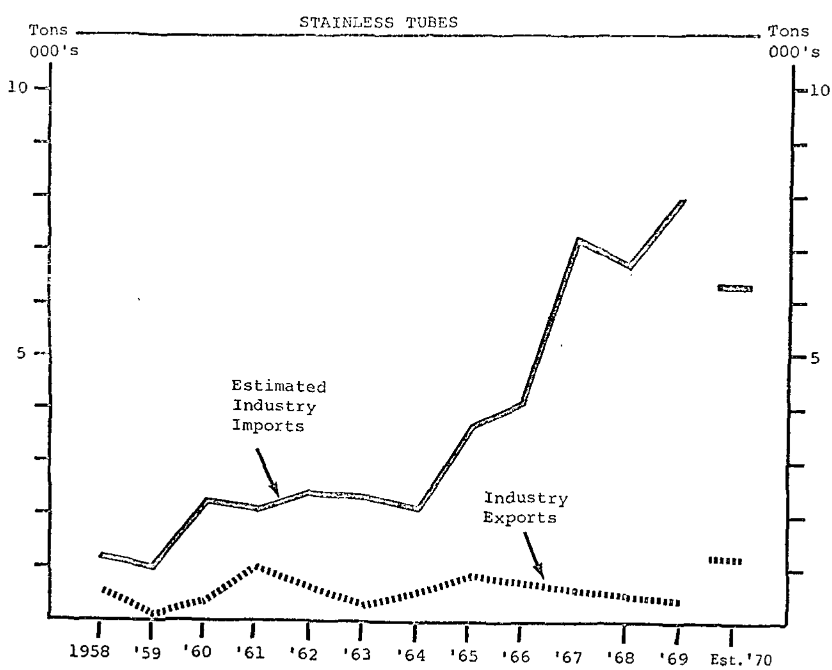
STAINLESS WIRE ROD

	Exports	Estimated imports	Imports as a percent of domestic market
1958		13	0.1
1959		310	2.1
1960	1	739	6.4
1961	3	2,325	15.9
1962	5	3,607	19.9
1963	38	5,475	28.8
1964	156	8,076	40.3
1965	2	9,073	36.9
1966	2	12,688	42.0
1967	11	13,227	53.2
1968	18	15,925	63.7
1969	41	14,864	59.2
1970, estimate	40	15,448	70.6



STAINLESS TUBES

	Industry data (tons)		Imports as a percent of domestic market
	Exports	Estimated imports	
1958	570	1,227	6.2
1959	92	1,000	4.9
1960	381	2,201	9.0
1961	1,055	2,178	9.6
1962	616	2,414	11.1
1963	398	2,406	10.5
1964	503	2,105	6.0
1965	935	3,590	7.8
1966	707	4,132	8.0
1967	640	7,266	16.6
1968	484	6,691	20.4
1969	417	7,929	22.0
1970, estimated	1,514	6,372	15.7

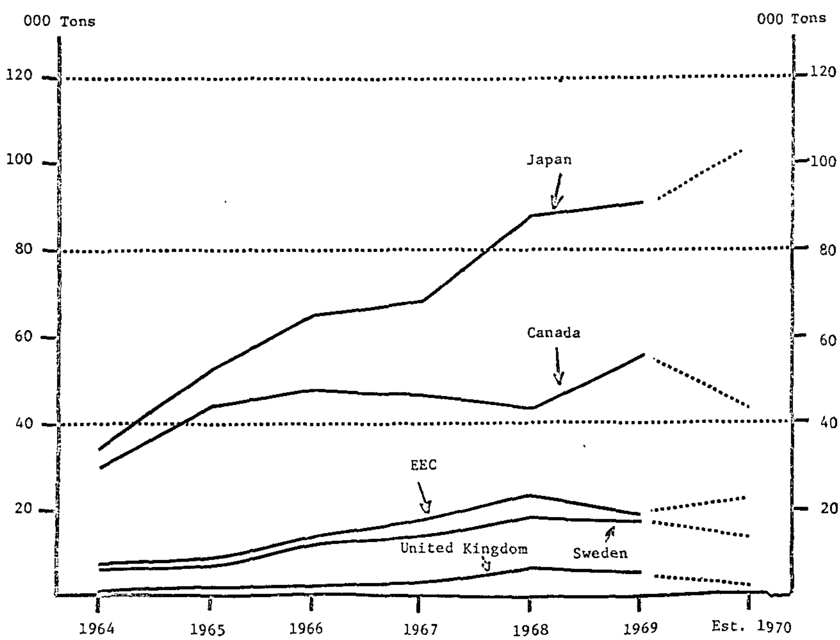


STAINLESS IMPORTS BY COUNTRY OF ORIGIN

[In tons]

	1964	1965	1966	1967	1968	1969	Estimated, 1970	Percent of total: Actual, 1969	Percent of total: Estimated, 1970
Japan	34,155	51,929	65,299	67,989	83,141	86,235	106,036	47.3	56.3
European Eco-Economic Community	7,778	9,063	12,739	16,945	23,217	19,127	22,184	10.5	11.8
Canada	30,050	44,454	46,778	46,204	42,609	54,790	41,532	30.1	22.1
Sweden	5,889	6,171	10,225	13,965	17,599	15,615	14,028	8.6	7.4
United Kingdom	1,037	1,343	1,789	3,077	5,641	5,099	3,278	2.8	1.7
Austria	270	175	140	511	1,483	397	390	.2	.2
All other	173	325	420	630	341	961	922	.5	.5
Total	79,352	113,460	137,390	419,321	174,031	182,224	188,370	100.0	100.0

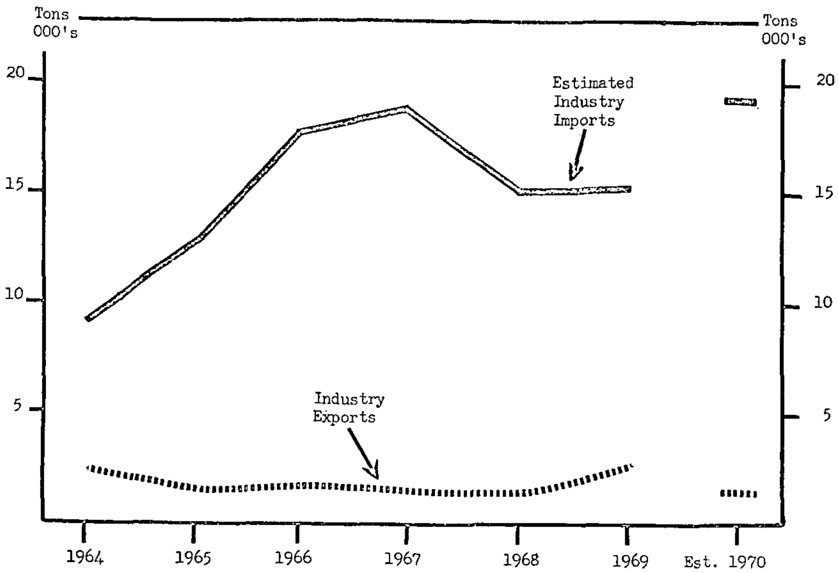
STAINLESS IMPORTS BY COUNTRY OF ORIGIN
(1964 Est'd 1970)



TOTAL TOOL STEEL

	Industry data (tons)		Imports as a percent of domestic market
	Exports	Estimated imports	
1964	2,275	9,081	8.3
1965	1,652	12,954	10.0
1966	1,775	17,614	12.8
1967	1,639	18,859	14.8
1968	1,606	15,162	12.6
1969	2,725	15,253	12.1
Estimated 1970	1,736	19,062	16.0

TOTAL TOOL STEEL

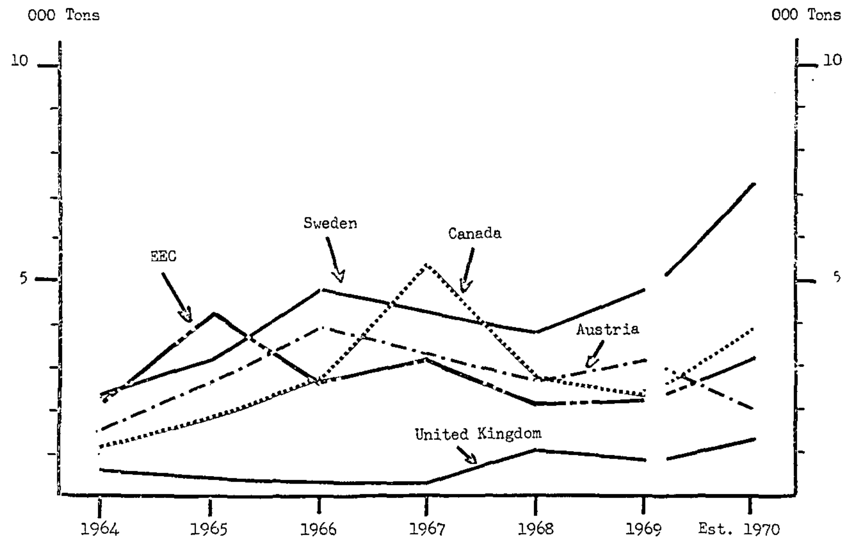


TOOL STEEL IMPORTS AS A PERCENT OF THE DOMESTIC MARKET

[In net tons]

Year	Net industry shipments	Imports	Exports	Domestic market	Imports as a percent of domestic market
6 months 1970	50,810	9,531	868	59,473	16.0
1969	113,921	15,253	2,725	126,449	12.1
1968	106,366	15,162	1,606	119,922	12.6
1967	109,929	18,859	1,639	127,149	14.8
1966	121,345	17,614	1,775	137,184	12.8
1965	118,242	12,954	1,652	129,544	10.0
1964	102,379	9,081	2,275	109,185	8.3

TOOL STEEL IMPORTS BY COUNTRY OF ORIGIN
(1964 - Est'd 1970)



TOOL STEEL IMPORTS BY COUNTRY OF ORIGIN

[In tons]

	1964	1965	1966	1967	1968	1969	Estimated 1970	Percent of total: Actual 1969	Percent of total: Estimated 1970
Japan	717	768	2,906	1,975	2,241	1,460	1,208	9.6	6.3
Belgium-Luxembourg	4	1	298	847	763		412		2.2
France	1,778	1,779	834	329	363	846	1,274	5.6	6.7
Italy							112		.6
Netherlands									
West Germany	624	2,359	1,628	1,901	1,155	1,527	1,494	10.0	7.8
Total EEC	2,406	4,139	2,760	3,077	2,191	2,373	3,292	15.6	17.3
Austria	1,535	2,623	3,995	3,262	2,822	3,154	2,052	20.7	10.7
Canada	1,111	1,859	2,773	5,468	2,882	2,474	3,906	16.2	20.5
Sweden	2,434	3,089	4,748	4,307	3,805	4,734	7,236	31.0	38.0
United Kingdom	573	459	403	432	1,056	868	1,276	5.7	6.7
All other	305	17	29	338	165	190	92	1.2	.5
Total	9,081	12,954	17,614	18,859	15,162	15,253	19,062	100.0	100.0

AMERICAN ASSOCIATION OF UNIVERSITY WOMEN,
Washington, D.C., October 12, 1970.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: For the past thirty-five years the AAUW has supported the principle of a liberal trade policy for this country as well as for others. It has been our feeling that this is the best interests of peaceful social, economic and political development for the peoples of all nations. International talks and agreements have continued to make substantial advancement toward these goals in the years since the days of Smoot-Hawley tariff policy.

We believe enactment of the quota provisions, contained in H.R. 18970 are a definite step backward which would tie the hands of the President in this critical period. We further believe that enactment of quotas would be an unrealistic approach to the domestic instability and growing unemployment which we face today. Because of many world-wide economic changes and the developing countries entering the mainstream of commercial and financial planning and action, some of our foreign policies may be open to reexamination. We believe the House-passed trade bill H.R. 18970 would make these already difficult problems even harder to resolve.

The AAUW supported President Nixon in his foreign trade message of November 18, 1969 and supports the Administration's proposal granting authority to the President for a three year period to reduce tariffs by twenty percent or two percentage points ad valorem below the July 1967 rate.

AAUW would welcome the elimination of the American Selling Price System which we feel has been an obstacle to United States' efforts to obtain fairer treatment of American exports by way of the eventual withdrawal of the non-tariff barriers of other nations.

We in the AAUW are aware of injury in some cases to domestic industry. We believe federal assistance in these instances is called for; that in the words of the recently released statement signed by more than 4000 American economists.

"The time has come for an adjustment program ensuring orderly, constructive government attention to the adjustment problems and needs of industries, workers and communities seeking and needing government help against foreign competition. Workable escape-clause and adjustment-assistance provisions of the trade legislation, to deal with emergency situation, are essential components of such a program."

As consumers, the members of AAUW feel that protectionist trade policies will benefit a few—but will harm many. Those persons hardest hit by quota bills will be those in the lowest income levels, who must shop for bargains and use the cheapest cuts of meat available. Fifteen percent of the total dollar volume imports is reported to be already under restraint of mandatory or "voluntary" quotas. It seems a contradiction to us to be enacting quota bills whose effect will be the greatest on the poor while we are trying to attack the nation's critical welfare problem with legislation now under consideration in this same committee.

It is our opinion that another mounting problem, that of unemployment, will be aggravated not relieved by the enactment of quotas. The continued employment of a few in the protected industries will not balance the unemployment of those who will be displaced if this country injects itself into a trade war. It is inevitable that other countries will retaliate with barriers of their own if we enact the protective legislation proposed in H.R. 18970.

AAUW continues to support extension of the President's negotiation authority and the abolition of the American Selling Price but urges the Senate Finance Committee to reject the quota provision of H.R. 17750.

Mrs. Russell E. Wallace,
World Problems Area Representative.
Mrs. Sherman Ross,
Legislative Program Chairman.

Collier, Shannon, Rill and Edwards, Attorneys at Law,
Washington, D.C., October 12, 1970.

Hon. Russell Long,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

Dear Mr. Chairman: We are counsel for the American Footwear Manufacturers Association, 342 Madison Avenue, New York, New York. The membership of AFMA includes the manufacturers of more than ninety percent of the leather and vinyl footwear produced in this country.

The AFMA supports wholeheartedly the trade measures now under consideration by your committee. In the interest of conserving the limited time available for hearing and in the hope that this measure may be enacted by the 91st Congress, AFMA will not request permission to appear and present testimony. At the same time, however, the critical importance of this legislation to the footwear industry in the United States impels us to submit some comments and statistics for the record.

The footwear industry has been suffering from low wage import competition for nearly ten years. During this time the market penetration achieved by foreign shoes has soared from 4.2% in 1960 to 25.2% in 1969. This means that last year one out of every four pairs of shoes purchased in the United States was manufactured overseas. In 1970 imports have continued to increase, both absolutely and as a percentage of the United States market. We estimate that imports in 1970 will amount to 237.2 million pairs worth 1.8 billion dollars at the retail level. It appears further that this will amount to thirty percent of the domestic market for leather and vinyl footwear.

This phenomenal growth in the shoe imports has a single basic cause: The disparity of wage rates between the United States and the foreign shoe worker. Last year the average wage in the American shoe factory was $2.32 an hour, according to the Bureau of Labor Statistics, fringe benefits averaged an additional 46 cents per hour according to AFMA records. Thus the hourly rate in the U.S. shoe industry is approximately $2.78.

This average wage is comparable to hourly wages including fringe benefits of the various countries which send footwear to this country. Japan exported 63 million pairs of shoes to the United States in 1969. These shoes were produced by Japanese footwear workers earning an average of 70 cents per hour including fringe benefits. Italy sent us 61 million pairs of footwear last year. Her shoe workers averaged $1.06 an hour including fringes. Spain which exported 20 million pairs of shoes into our market in 1969 while paying its footwear workers an average of 59 cents per hour. In Taiwan, source of 24 million pairs of imported footwear last year, workers in shoe factories averaged 22 cents per hour. The wages and working conditions under which these shoes are being manufactured overseas would be simply illegal in the United States.

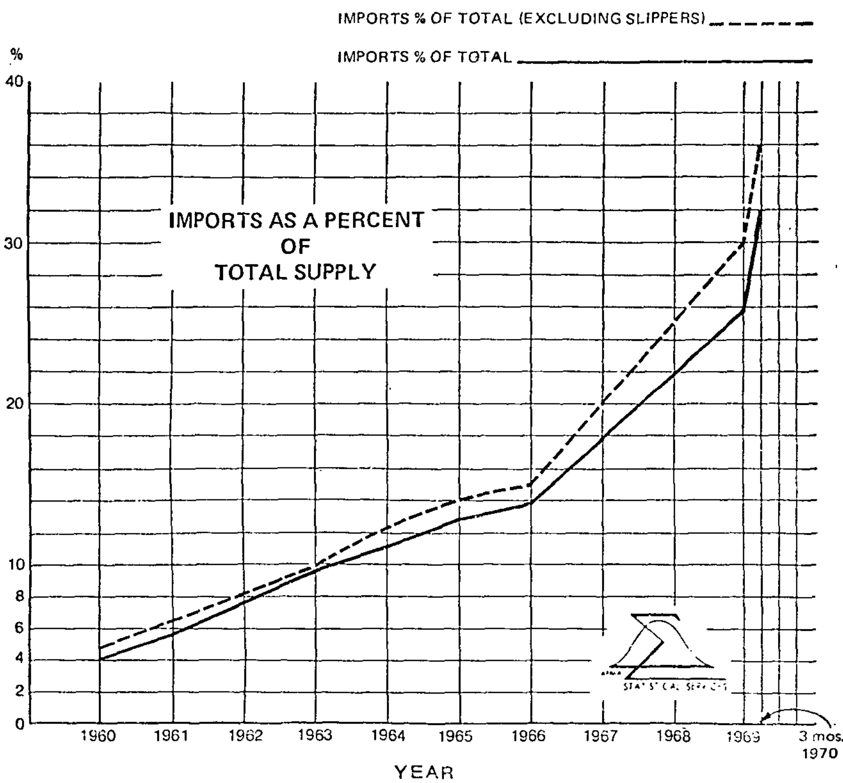
We do not intend to belabor this committee with repetitious statistical matter. However we have attached hereto for your use eleven charts recently prepared by AFMA's statistical services. These figures tell a sad story of lost production and declining employment during a decade in which the U.S. economy has experienced unparalleled growth.

The footwear industry is sincerely grateful for your help and support in this critical matter. We strongly urge your prompt and favorable action on the footwear quota and other trade measures embodied in the Mills Bill.

Sincerely,

THOMAS F. SHANNON.

Attachment I



ATTACHMENT II.—U.S. FOOTWEAR PRODUCTION AND IMPORTS

[Thousands of pairs]

Year	U.S. production	Imports	Percent imports of production	Total supply	Percent imports of total supply
1960	600,041	26,617	4.4	626,658	4.2
1961	592,907	36,668	6.2	629,575	5.8
1962	633,238	55,057	8.7	688,295	8.0
1963	604,328	62,820	10.4	667,148	9.4
1964	612,790	75,372	12.3	688,162	11.0
1965	626,229	87,632	14.0	713,861	12.3
1966	641,696	96,135	15.0	737,831	13.0
1967	599,964	129,134	21.5	729,098	17.7
1968	642,427	175,438	27.3	817,865	21.5
1969	581,757	195,673	33.6	777,430	25.2
1970 (3 months) preliminary	145,829	68,691	47.1	214,520	32.0
Projections:					
1970	570,000	220,000	38.6	790,000	27.8
1971	560,000	258,900	46.2	818,900	31.6
1972	550,000	303,300	55.1	853,300	35.5
1973	540,000	352,700	65.3	892,700	39.5
1974	530,000	408,800	77.1	938,800	43.5
1975	519,000	468,400	90.3	987,400	47.4

ATTACHMENT III.—FOOTWEAR MANUFACTURING ESTABLISHMENTS, EMPLOYEES AND PAYROLLS, 1ST QUARTER, 1968

	Total reporting units	Number of employees [1]	Taxable payrolls (thousands) [2]
New England:			
Maine	84	25,243	$28,522
Massachusetts	146	30,100	37,232
New Hampshire	71	17,980	20,491
Connecticut	15	1,611	1,841
Vermont	(3)	(3)	(3)
Rhode Island	4	(4)	(4)
Middle Atlantic:			
New York	172	16,812	20,070
Pennsylvania	123	24,750	25,915
New Jersey	20	2,140	2,858
East North Central:			
Illinois	37	9,371	10,830
Ohio	22	6,768	8,339
Wisconsin	44	8,339	10,615
Indiana	4	1,799	2,149
Michigan	7	2,463	2,899
Other divisions:			
Missouri	91	22,325	23,999
Tennessee	41	14,513	15,237
Arkansas	25	7,576	7,523
Minnesota	6	1,080	1,619
Iowa	(3)	(3)	(3)
Nebraska	(3)	(3)	(3)
Kansas	(3)	(3)	(3)
Maryland	12	2,301	2,357
Virginia	10	3,453	3,251
West Virginia	5	793	692
North Carolina	8	2,826	2,979
Georgia	13	3,948	3,510
Florida	21	1,730	2,010
Kentucky	11	2,983	3,396
Alabama	6	1,527	1,432
Mississippi	5	2,328	2,469
Texas	25	2,249	2,326
New Mexico	2	(4)	(4)
Arizona	(3)	(3)	(3)
Nevada	(3)	(3)	(3)
Washington	(3)	(3)	(3)
Oregon	(3)	(3)	(3)
Hawaii	(3)	(3)	(3)
California	47	2,783	3,193
Total	1,116	220,733	248,642

[1] Mid-March pay period.
[2] January-March.
[3] Not available.
[4] Data withheld to avoid disclosure of individual company operations.

Source: "1968 County Business Patterns," U.S. Department of Commerce.

ATTACHMENT IV

EMPLOYMENT IN NONRUBBER FOOTWEAR INDUSTRY

Year	All employees	Production workers only	Production workers as percent of all employees	Average wage per hour
March 1970	219,900	191,100	86.9	$2.43
March 1969	229,200	200,000	78.3	2.29
1969	225,600	196,200	87.0	2.39
1968	235,500	206,000	87.5	2.18
1967	231,600	203,000	87.7	2.01
1966	241,500	214,200	88.7	1.87
1965	234,500	208,800	89.0	1.82
1964	230,500	204,800	88.9	1.77
1963	231,600	206,300	89.1	1.71
1962	240,700	215,100	89.4	1.68
1961	239,600	214,000	89.3	1.63
1960	242,600	216,400	89.2	1.59
1959	247,500	222,600	89.9	1.55
1958	237,400	212,700	89.6	1.51
1957	243,800	218,800	89.7	1.47
1956	246,300	221,300	89.8	1.42
1955	248,400	223,400	89.9	1.32

Source: Employment and Earnings Statistics, U.S. Department of Labor.

ATTACHMENT VA.—"THE SIXTIES—A DECADE IN REVIEW"

DOMESTIC PRODUCTION OF LEATHER AND VINYL FOOTWEAR BY TYPES

[In millions of pairs]

Year	Men's	Youths' and boys'	Women's	Misses'	Children's	Infants' and babies'	Athletic	Slippers	Other	Total
1960	100.6	24.1	279.8	40.2	32.7	36.6	7.0	73.5	5.5	600.0
1961	103.3	24.2	273.4	39.2	31.7	35.8	6.6	72.6	6.1	592.9
1962	112.7	25.6	288.2	36.8	32.5	37.0	10.1	83.0	7.4	633.2
1963	110.7	24.0	275.2	35.5	30.7	33.5	9.8	77.6	7.2	604.3
1964	119.9	25.4	271.1	37.0	30.4	32.8	6.9	78.9	10.3	612.8
1965	118.2	25.6	279.9	36.5	33.5	32.5	7.0	90.2	[1] 2.8	626.2
1966	126.9	24.6	284.2	35.9	33.6	32.5	7.3	93.8	2.9	641.7
1967	123.7	25.3	258.0	27.6	30.7	30.0	6.9	95.6	2.0	600.0
1968 [2]	126.3	23.5	283.7	33.0	31.4	28.7	8.3	105.4	2.1	642.4
1969 [3]	122.0	23.6	235.2	28.7	27.8	25.7	8.4	109.0	1.7	582.1

[1] Not comparable to previous years due to Government changes in definition of "other" type of footwear.
[2] Latest revised Department of Commerce figures for 1968.
[3] Preliminary estimates of 1969 production made by the American Footwear Manufacturers Association are based on the 1st 11 months of Department of Commerce data. These estimates are most likely slightly too high due to expected seasonal drop in December domestic production.

Source: U.S. Department of Commerce and the American Footwear Manufacturers Association.

ATTACHMENT VB.—"THE SIXTIES—A DECADE IN REVIEW"

IMPORTS OF LEATHER AND VINYL FOOTWEAR BY TYPES

[In millions of pairs]

Year	Men's	Youths' and boys'	Women's [1]	Misses'	Children's	Infants' and babies'	Athletic	Slippers [2]	Other	Total
1960	6.4	0.8	14.0	0.4	0.4	0.5		4.1		26.6
1961	8.1	1.0	21.3	.6	.6	.8		4.3		36.7
1962	13.1	1.6	36.6	1.1	1.2	1.5		7.9		63.0
1963	12.4	1.5	37.9	1.1	1.1	1.4		7.4		62.8
1964	13.5	1.6	49.6	1.5	2.3	2.8		4.1		75.4
1965	15.2	2.0	52.3	1.5	2.5	3.4	1.1	8.6	1.1	87.6
1966	15.9	2.2	63.7	2.4	3.2	3.0	1.2	3.6	1.0	96.1
1967	19.6	3.0	90.4	3.2	4.7	2.8	1.4	3.1	.9	129.1
1968	26.1	3.6	124.9	5.3	7.0	2.6	1.7	2.9	1.4	175.4
1969 [3]	35.0	4.5	133.0	7.0	8.0	3.0	2.5	1.8	.9	195.7

[1] Women's footwear prior to 1965 included some slippers.
[2] Slippers include Indian type moccasins, slippers, soft soles and wool felt footwear.
[3] Preliminary estimates of 1969 imports were made by the American Footwear Manufacturers Association. These estimates were based on data provided by the Department of Commerce.

Source: U.S. Department of Commerce and the American Footwear Manufacturers Association. March 1970.

ATTACHMENT VI

ANNUAL PRODUCTION OF SHOES AND SLIPPERS, EXCEPT RUBBER, BY GEOGRAPHIC AREAS AND SELECTED CLASSES OF FOOTWEAR: 1968

[Thousands of pairs]

Geographic area [1]	Shoes and slippers, except rubber, total	Mens, youths, and boys shoes	Womens shoes	Misses, childrens, infants, and babies shoes	Slippers	All other footwear, including athletic shoes
United States, total [2]	642,427	149,789	283,700	93,091	105,437	10,410
New England	198,441	47,472	117,336	17,476	11,316	4,841
Maine	58,364	18,332	36,295	3,104	71	562
Massachusetts	85,210	19,379	44,619	10,316	7,121	3,775
New Hampshire	46,369	8,253	34,312	(3)	0	(3)
Other States	8,498	1,508	2,110	(3)	4,124	(3)
Middle Atlantic	178,067	24,206	60,111	21,930	69,248	2,572
New Jersey	16,386	0	(3)	(3)	12,928	0
New York	76,598	10,453	(3)	(3)	44,452	1,108
Pennsylvania	85,083	13,753	40,596	17,402	11,868	1,464
North Central	122,688	35,686	49,691	27,160	8,419	1,732
Illinois	19,393	6,774	6,666	4,113	(3)	(3)
Indiana	4,590	(3)	(3)	(3)	0	0
Michigan	8,134	(3)	(3)	(3)	0	(3)
Minnesota	2,730	(3)	(3)	(3)	(3)	(3)
Missouri	56,528	(3)	25,216	16,958	(3)	(3)
Ohio	16,920	(3)	10,127	(3)	(3)	(3)
Wisconsin	14,250	9,638	869	2,790	458	495
Other States	143	(3)	(3)	(3)	(3)	0
South and West	143,231	42,425	56,562	26,525	16,454	1,265
Arkansas	21,180	(3)	9,286	6,737	(3)	0
California	5,869	(3)	5,005	(3)	(3)	(3)
Florida	1,447	0	1,425	(3)	0	(3)
Georgia	13,351	6,653	(3)	(3)	(3)	(3)
Kentucky	10,682	(3)	9,680	0	0	(3)
Maryland	9,605	2,323	(3)	6,277	(3)	(3)
Mississippi	12,059	(3)	(2)	(3)	0	(3)
Oregon	46	(3)	0	0	0	(3)
Tennessee	40,857	19,092	10,009	9,887	(3)	(3)
Texas	5,427	(3)	3,045	(3)	(3)	(3)
Virginia	8,433	(3)	(3)	1,283	(3)	(3)
Washington	18	18	0	0	0	0
Other States	14,257	7,870	878	540	(3)	(3)

[1] Data for each State not shown separately have been withheld to avoid disclosing figures for individual companies These States are: New England: Connecticut, Vermont, and Rhode Island. North Central: Iowa, Kansas, and Nebraska South and West: West Virginia, North Carolina, Alabama, New Mexico, Arizona, Nevada, and Hawaii.
[2] Excludes shoes and slippers with sole vulcanized to fabric upper. (See table 8.)
[3] Withheld to avoid disclosing figures for individual companies.

ATTACHMENT VII.—PRODUCTION OF SHOES AND SLIPPERS, EXCEPT RUBBER, BY TYPE OF CONSTRUCTION: 1968

[Thousands of pairs]

Item	Total	Cemented excluding sliplasted	Sliplasted	Welt, including Silhouwelt	McKay sewed, excluding Littleway	Stitch-down	Soft sole	Turn or turned	Vulcanized or injection molded construction	Indian type moccasins	Genuine moccasin construction	Other Littleway, prewelt, etc.
Shoes and slippers, except rubber, total [1]	642,427	348,038	28,023	81,268	2,022	12,908	40,050	12,062	[2] 40,995	4,647	27,744	44,670
Shoes (including athletic), total	534,911	308,271	16,388	81,182	1,846	9,825	5,032	1,572	40,995	2,998	27,701	39,101
Men's shoes (except athletic)	126,259	21,746	1,848	65,347	(3)	3,939	(3)	(3)	12,938	580	12,920	5,866
Men's workshoes	36,858	(3)	—	26,732	(3)	1,531	(3)	(3)	6,332	—	(3)	484
6 inches high and over (including over-the-foot boots)	27,214	892	—	19,521	(3)	1,290	—	(3)	5,218	—	(3)	(3)
Less than 6 inches high	9,644	(3)	—	7,211	(3)	241	(3)	(3)	1,114	—	—	(3)
Men's shoes, other than work	89,401	(3)	1,848	38,615	(3)	2,408	(3)	—	6,606	580	12,872	5,382
Handsewns (genuine moccasin construction with outsole attached)	12,567	(3)	—	(3)	(3)	(3)	—	—	(3)	(3)	9,832	1,610
Uppers of soft tannages (including desert boot and sandals)	12,163	6,634	772	(3)	(3)	869	(3)	—	(3)	137	(3)	1,546
All other men's shoes (including dress)	64,671	13,360	1,076	37,317	(3)	(3)	—	—	6,403	(3)	(3)	2,226
Youths' and boys' shoes (except atheltic)	23,530	11,752	(3)	3,330	50	772	(3)	—	5,622	80	849	978
Youths' shoes	11,335	6,184	—	1,432	—	323	—	—	2,820	(3)	(3)	551
Boys' shoes	12,195	5,568	(3)	1,898	50	449	(3)	—	2,802	(3)	(3)	427
Women's shoes (except athletic)	283,700	224,741	13,361	2,906	(3)	1,691	(3)	(3)	3,931	1,809	13,124	21,526
Women's wedge heel (any height) or open toe (not over 8/8" heel)	24,702	13,050	7,040	694	—	(3)	(3)	(3)	(3)	(3)	699	2,313
All other women's shoes (except athletic)	258,998	211,691	6,321	2,212	(3)	(3)	(3)	—	(3)	(3)	12,425	19,213
Not over 8/8" heel	115,057	70,711	5,198	1,390	(3)	1,205	(3)	—	(3)	(3)	12,425	18,257
9/8" heel over	143,941	140,980	1,123	822	(3)	(3)	—	—	—	—	—	956

Misses' shoes (except athletic)	32,980	23,482	(3)	1,555	(3)	466	(3)	(3)	4,792	(3)	107	1,724
Misses' wedge heel (any height) or open toe (not over 8/8" heel)	10,793	8,389	(3)	477	(3)	(3)	(3)	(3)	1,128	(3)	(3)	184
All other misses' shoes (except athletic)	22,187	15,093	103	1,078	(3)	(3)	(3)	(3)	3,664	(3)	(3)	1,540
Children's shoes (except athletic)	31,418	15,294	36	3,139	(3)	1,198	(3)	-	9,063	267	216	2,033
Infants' and babies' shoes	28,693	9,989	724	3,260	(3)	1,583	4,616	1,371	4,278	(3)	(3)	2,253
Athletic shoes	8,331	1,267	-	1,645	(3)	176	-	-	371	-	(3)	4,721
Men's, youths', and boys' athletic shoes	6,758	1,086	-	(3)	(3)	(3)	-	-	371	-	(3)	3,556
All other athletic shoes	1,573	181	-	(3)	-	(3)	-	-	-	-	-	1,165
Slippers, total	105,437	39,250	11,635	(3)	(3)	(3)	34,788	(3)	(2)	1,183	(3)	(3)
All slippers of slip-on type with underwedge heel or blown sponge rubber midsole	12,363	5,001	4,477	-	-	47	(3)	(3)	-	-	-	(3)
Other slippers:												
Men's, youths', and boys'	17,037	4,066	1,682	(3)	(3)	(3)	(3)	(3)	(2)	387	(3)	1,533
Men's	15,954	3,669	1,604	(3)	(3)	1,237	2,843	(3)	(2)	331	(3)	1,380
Youths' and boys'	1,083	397	78	-	-	(3)	(3)	-	(2)	56	(3)	153
Women's	64,343	28,226	5,038	-	(3)	(3)	22,603	3,527	(2)	730	10	2,884
Misses', children's, infants', and babies'	11,684	1,957	438	-	-	(3)	6,850	(3)	(2)	(3)	(3)	(3)
Misses' and children's	8,844	(3)	420	-	-	(3)	4,718	(3)	(2)	(3)	(3)	333
Infants' and babies'	2,840	(3)	18	-	-	-	2,132	(3)	(2)	(3)	(3)	(3)
Other footwear (except those with sole vulcanized or molded to fabric upper)	2,079	517	-	(3)	(3)	(3)	230	(3)	-	466	(3)	(3)

[1] Excludes shoes with sole vulcanized to fabric upper. See table 8.
[2] The data for vulcanized or injection molded slippers are included with the data for other constructions, including Littleway, prewelt, etc., to avoid disclosing operations for individual companies.
[3] Withheld to avoid disclosing figures for individual companies.

ATTACHMENT VIII.—FOOTWEAR MANUFACTURING COMPANIES' PERCENT OF NET PROFITS AFTER FEDERAL INCOME TAXES TO NET SALES

Year	Number firms	Percent net profits	Year	Number firms	Percent net profits
1969	88	2.1	1961	80	2.2
1968	99	3.1	1960	109	2.1
1967	125	3.0	1959	94	2.5
1966	135	2.7	1958	85	2.1
1965	123	2.1	1957	104	2.3
1964	119	2.5	1956	83	2.0
1963	65	1.9	1955	87	2.3
1962	65	1.9			

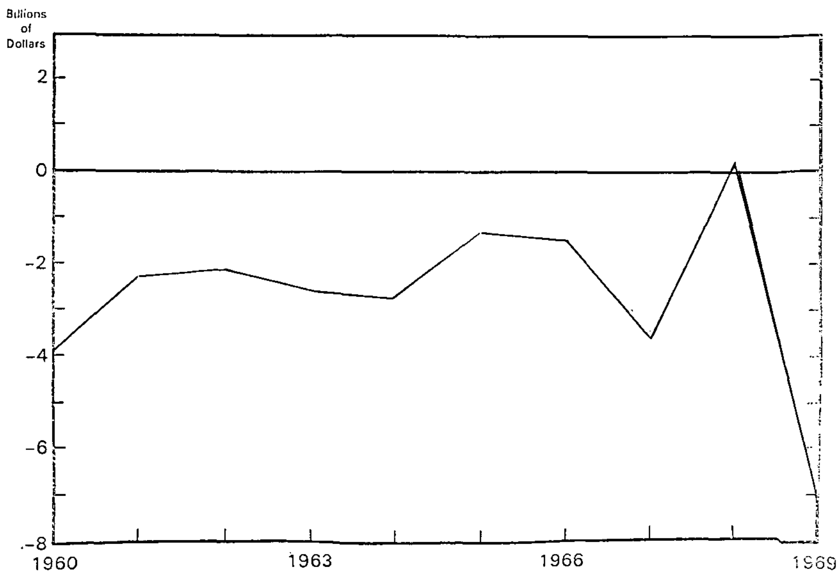
Source: American Footwear Manufacturers Association.

ATTACHMENT IX.—COMPARISON OF BLS RETAIL AND WHOLESALE PRICE INDEXES FOR FOOTWEAR AND OF U.S. DEPARTMENT OF COMMERCE—CENSUS' AVERAGE VALUES OF FOOTWEAR FROM FOREIGN AND DOMESTIC SOURCES: 1965, 1969, AND 1st QUARTERS OF 1969 AND 1970

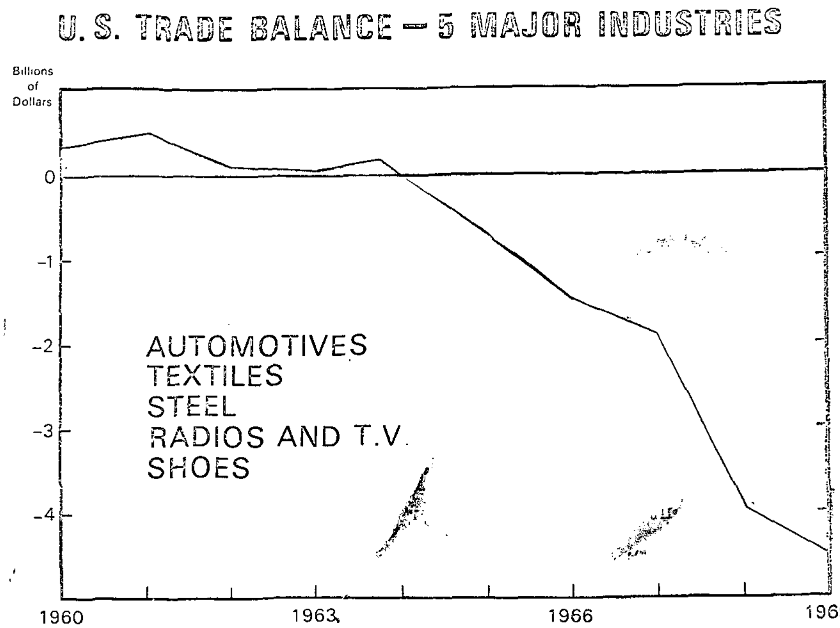
			3 months' average		Percent increase, 3 months	
	1965	1969	1969	1970	1969/65	1970/69
CPI (all items, 1957–59=100)	109.9	127.7	124.8	132.5	+16.2	+6.2
CPI (nonrubber footwear, 1957–59=100)	112.9	140.3	136.9	145.2	+24.3	+6.1
WPI (nonrubber footwear, 1957–59=100)	110.7	133.2	131.9	136.6	+20.3	+3.6
Imports—Average foreign value (per pair)	$1.35	$2.20	$1.89	$2.00	+63.0	+5.8
Domestic—Average factory value (per pair)	$3.99	$4.98	$4.89	$5.13	+24.8	+4.9

ATTACHMENT X

U.S. BALANCE OF PAYMENTS—(LIQUIDITY)



ATTACHMENT XI



CORN REFINERS ASSOCIATION, INC.,
Washington, D.C., October 12, 1970.

Senator RUSSELL B. LONG,
Chairman, Committee on Finance, U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: The Corn Refiners Association very much appreciates this opportunity to present its views with regard to the duty-free status of tapioca, tapioca flour, and cassava.

As you know, our Association is the national organization of the American wet corn milling industry. Our members include American Maize-Products Company with a plant in Roby, Indiana; Anheuser-Busch, Inc., whose plant is located in Lafayette, Indiana; Clinton Corn Processing Company (a division of Standard Brands, Inc.) located at Clinton, Iowa; CPC International Inc. with plants located at Argo and Pekin, Illinois, North Kansas City, Missouri, and Corpus Christi, Texas; The Hubinger Company located at Keokuk, Iowa; National Starch and Chemical Corporation with a plant at Indianapolis, Indiana; Penick & Ford, Limited (a subsidiary of R. J. Reynolds Industries, Inc.) with a plant at Cedar Rapids, Iowa; A. E. Staley Manufacturing Company with plants at Decatur, Illinois, and Morrisville, Pennsylvania; and Marschall Division, Miles Laboratories, Inc., whose plant is at Granite City, Illinois. Our industry is the Nation's largest food and industrial user of corn, and in any given year our industry's purchases of corn are a major factor in maintaining corn prices for farmers.

The principal products of our industry are corn, oil, starch, corn syrup, corn sugar (dextrose) and other starch derivatives. These products are used throughout American industry, particularly in the manufacture of paper, textiles, food, drugs and adhesives. Products of the wet corn milling industry are also essential to national defense. They are essential to the manufacture of explosives, airplane engines, tanks, shells and hand grenade casings. They are used in missiles, uniforms, and mess kits, and are a part of every meal a serviceman eats from the barracks to combat rations in the field.

Our Association has always supported expanded trade among all nations of a fair and equitable basis. We would point out, however, that where America's efforts toward free trade are barred by trade barriers erected in other nations, a serious imbalance of trade can result. Essentially, that is the situation that now exists with regard to tapioca starch.

Among major industrial nations, only the United States does not have a duty on the import of tapioca starch. This unique situation coupled with the variable duties of the European Common Market means that the United States attracts an ever-increasing volume of the world's output of tapioca starch. Once imported into this country tapioca starch competes directly with corn starch manufactured here. In essence, that means that our international trade in tapioca starch is financed by the profits and jobs of the American industrial firms affected.

In 1947, in the GATT negotiations, the duty-free status of tapioca, tapioca flour and cassava was bound into our tariff schedules. Imports of tapioca starch at that time were running at around 100 million pounds. Since then they have more than doubled and in some recent years have tripled. Imports in each of the last two years have been around 200 million pounds, and as recently as 1967 imports were over 300 million pounds.

Competition between imported tapioca starch and the American corn refining industry has been especially severe with regard to some products. The Tariff Commission's study of 1959, for example, disclosed that open market sales of domestic corn starch to adhesive and dextrine manufacturers amounted to about 20 million pounds in 1958. This was just slightly more than the amount of imported starch sold to such manufacturers.* Thus, in the short space of a 10 year period the imported starch has gained a position equal to that manufactured here despite significant improvements in our technology, efficiency and ability to compete.

Thailand and Brazil are currently the major exporters of tapioca starch, but a number of other less-developed nations have the potential to export this product in large quantities. Indonesia, formerly the world's major tapioca starch exporter, and several African countries are included in this group. Because of the current European tariff wall and variable levies on tapioca starch, it is likely that any increased volume from the exporting countries would flow directly to the United States.

The United States' position with regard to tapioca starch imports has become more difficult in recent years because the Common Agricultural Policy (CAP) within the European Common Market has raised new barriers to tapioca starch imports. The CAP has provided nearly complete protection for farmers by using a variable levy system to eliminate the competitive price advantage of imported agricultural products. The variable levies even apply to products the EEC does not produce if such products compete in any way with domestic production. For this reason, tapioca starch has recently been subject to tariffs as high as 50 percent, in striking contrast to its duty-free treatment by the United States.

Other countries have managed to block tapioca starch imports by other means. In Japan, for example, the device of import control licenses is employed, and Japanese imports of tapioca starch have been limited to a small fraction of the United States imports.

We believe that United States negotiators should have the authority and responsibility to negotiate the removal of unreasonable foreign tariff barriers. If this authority is to have any real meaning, however, it must be strongly backed up in our tariff laws. Considerations of basic fairness to dictate that American industries that have no tariff protection against imports should have the assistance of the United States Government to insure that other countries are not able to take unfair advantage of us.

This position accords with two fundamental goals of the United States trade policy. It would contribute to the expansion of free world trade and provide greater access to foreign markets for products of less-developed countries.

Our industry has borne the brunt of a unilateral free trade policy in the face of contrived protectionist barriers abroad. We have been seriously disadvantaged because of the flood of tapioca starch imports into our country. We are hopeful that this situation can be relieved by reducing trade barriers in other countries, but if this cannot be achieved, we urge that the only fair solution is the imposition of a duty on tapioca imports, as we have done on all other major competitive starch imports, or the adoption of a quota.

Very truly yours,

ROBERT C. LIEBENOW, *President.*

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*United States Tariff Commission Report on Starch Investigation No. 332-37, March 1960, p. 38.

STATEMENT ON BEHALF OF THE TIE FABRICS IMPORTERS ASSOCIATION

The House Committee on Ways and Means recognized that tie fabrics are a distinctive textile product, presenting no import problems, and exempted them from the quota provisions of H.R. 18970. (Page 37, lines 4–9.) However, the exemption was phrased so restrictively that it would not serve the intended purpose. We propose that the House language be modified by deleting the words "for use only," page 37, line 7, and substituting the words, "of a kind chiefly used."

The importers of tie fabrics share the concern of the Ways and Means Committee that an exemption for such fabrics should be tightly drawn, so that it could not provide a loophole for other fabrics to masquerade as tie fabrics. However, the particular method incorporated into the House bill, the "actual use" test, would place an intolerable burden on importers.

Under the House language, established Customs practice would require that the importer post a bond covering each importation. He would then be required to submit documentary proof, within three years, that every yard of the imported cloth was actually used in making neckties. Once the importer has sold the cloth, it is out of his control. Yet he would be held to absolute proof of his customer's end use. Importers distribute tie fabrics to a great many tie manufacturers throughout the country, usually in small quantities for any one pattern. They should not be expected to maintain surveillance over their customers' plants. Their customers may use only part of a bolt one year, and set aside the remainder for next year or the year after. The identification of a length of cloth with the Customs entry number may be lost. The customer may even go out of business. Nevertheless, the importer's responsibility under his bond would be absolute, and he would be penalized for every yard not accounted for. Even if the importer could prove to the Customs Bureau that 90% or 95% of the cloth he imported was actually used in making neckties, his liability to penalty on the remaining 5% or 10% could eat up all of his margin. The importer should not be expected to bear such a risk. The "actual use" requirement is unfair, and unnecessary.

The substitute language here proposed would give ample protection against misuse. The Customs commodity specialists, at the various ports, know their fabrics. The fabrics are distinctive in construction and design. Unless the commodity specialist is convinced that a fabric offered for entry is of a kind chiefly used for neckties, he would not clear the import for entry under the tie fabric exemption. There would be no need for three years of paper work for Customs officials, importers and tie manufacturers to close the books on an import which can be classified on the spot by a qualified Customs fabric specialist.

Tie fabrics are a distinctive kind of textile, and pose no threat to any American industry. American mills weaving fabrics suitable for ties are working at full capacity. Imports, mainly from Europe, add a broad selection of patterns and colors not supplied by American mills. If tie fabrics were placed under quota, American tie manufacturers, and their employees would suffer.

The American tie manufacturing industry needs a wide selection of fabrics to provide a wide choice of distinctive ties to the public. The greater the variety of distinctive fabrics, the greater the sales at the tie counter. The creativity of the European fashion industry, in supplying ever-changing imaginative selections of colors and designs, is indispensable for the prosperity of the American tie manufacturing industry, for the jobs of its employees, and for the good-grooming of American men.

GEORGE BRONZ,
Attorney for the Association.

CALIFORNIA COUNCIL FOR INTERNATIONAL TRADE,
San Francisco, Calif., July 30, 1970.

Hon. RUSSELL B. LONG,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: The California Council for International Trade strongly but most respectfully urges you to utilize your authority and influence to help stem the tide of protectionism that threatens our nation.

We are an organization of more than 350 firms and individuals directly involved in every facet of foreign commerce. Our members, together with thousands of other men and women throughout America, have devoted their careers, energies and resources to the development of this nation's foreign trade as a major contributing factor in the economic well-being of the United States.

Working within the framework of a national free trade policy, the United States has more than doubled its international business in the past decade; from $35.1 billion in 1960 to $73.3 billion in 1969. The benefits to the American economy of this thriving two-way trade and the nation's imperative reliance upon its continuation as well as expansion are obvious. Yet, today we find the Congress of the United States considering measures which, in effect, could legislate us out of international business.

We plead for a dispassionate awareness of the risks inherent in the contemplated restricting of American foreign trade. Proposed legislation to meet the protectionistic demands of one American industry confronted by strong foreign competition could seriously damage other industries that thrive on foreign sales.

Quotas on textile imports, for example, will help U.S. textile producers but they will be imposed at the expense of other American industries.

According to the Secretary of Agriculture, Japan has become the first $1 billion-a-year customer for the U.S. farm products. In comparison, Japan's textile exports, which the Congress proposes to curb through legislated quotas, amounts to less than half of U.S. agricultural sales to Japan, or about one-and-a-half per cent of total American textile consumption.

Japan's purchases are vital to California and other states dependent on agribusiness. It is unrealistic to expect Japan and our other overseas customers to continue buying American agricultural products if we close our markets to their manufactured goods.

Last year United States industry and agribusiness sold abroad $1.6 billion more than the value of American purchases of imported products. This year our current annual rate of exports is such that we anticipate a trade surplus of $2.7 billion. Our Department of Commerce has a target for American exports of $50 billion by 1973. It is inconceivable that in the light of our present world trade accomplishments and of our Government's appraisal of potential international business growth that we are prepared to jeopardize the nation's economy for the benefit of certain industries seeking legislative protection from competition.

The CCIT supports the Trade Act of 1969. American industry should be given tax incentives for stimulating exports. We favor elimination of the American Selling Price system of customs valuation. The President should be empowered to make tariff reductions as he deems best in the national interest. There is need to liberalize the escape clause principle giving relief for injuries from imports. Adjustment assistance for firms and workers that may be adversely affected by foreign competition should be available. The President should have more authority to deal with situations where our trading partners are not giving American products adequate reciprocity.

And, there must be substantive funding of United States involvement in GATT. These are all measures that will strengthen American foreign trade posture and international marketing endeavor.

But the Trade Act of 1969 must not be amended in such fashion as to accommodate the aspirations of those who would subvert the economic interests of the nation for their own individual benefit. The imposition of import quotas would be but an opiate in an archaic "eye for an eye" approach to solving the challenges of doing business in the 20th Century.

Certainly the world in general and the United States in particular have troubles enough without our attempting to solve problems by creating new ones.

There is an imperative need, we respectfully submit, for dealing with the inequities inherent in world trade through reason, intellectual honesty, cooperation and visionary foresight. The answer does not lie in giving U.S. foreign trade policy a mantle of protectionistic isolationism, by imposing import quotas against the products of the overseas customers whose purchases we depend upon for marketing our own products, nor by casting the world into a cataclysmic era of "you hurt us, we'll hurt you" retaliatory action and counteraction.

U.S. management and labor have a great responsibility in developing together our world trade. There must be a concerted effort to curb inflationary pressures in the United States by gearing wage-price increases to increases in productivity. This is essential if America is to remain competitive in the market places of the world.

As an alternative to legislating at this time precipitous unilateral action on the part of the United States against other nations' trade barriers, the California

Council for International Trade proposes that The Congress declare a 24-months postponement on all protectionist measures. This would allow sufficient time to determine what can be accomplished under the Trade Act of 1969 as submitted to The Congress by the Administration.

Such a moratorium would also grant America's trading partners an opportunity to evidence their own good faith, their interest in enhancing free and fair trade and their desire to join with the United States in the expansion of equitable international commerce.

The CCIT recognizes that parliamentary action alone cannot stabilize international commerce nor remove from international relations the misunderstandings and mistrusts that could so easily bring economic chaos to the entire world. There must be direct involvement in the resolving of world trade problems by the individuals, corporations, organizations and institutions that profit from world trade.

Therefore, the CCIT is calling upon America's business community to immediately approach through proper channels all foreign interests with whom we have commercial relations to seek prompt removal of restrictive measures being applied against American exports. We are urging our trading partners to convince their respective governments that inequitable barriers to foreign trade must be dismantled as expeditiously as possible.

Sincerely yours,

WARREN S. TITUS, *President.*

[Telegram]

SAN FRANCISCO, CALIF., *October 21, 1970.*

TOM VAIL,
Chief Counsel, Committee on Finance,
New Senate Office Building, Washington, D.C.

Acknowledging your telegram giving October 23d as deadline for written testimony on trade bill in view of unusual time factor we respectfully request that our letter of July 30, 1970 to Senator Long be accepted as CCIT's testimony be included in report of Senate Finance Committee. Moreover, we request that your report also include "The California Council for International Trade urges the Finance Committee to allow the Congress to act upon the trade bill, separate and apart from other unrelated legislation. To do otherwise in the event of trade bill passage, would prevent the President of the United States from carrying out his constitutional responsibilities of evaluating legislation on its own merit." Your courtesy is appreciated.

WARREN S. TITUS,
President, California Council for International Trade.

STATEMENT BY PETER C. APEL, PRESIDENT, UPHOLSTERY & DECORATIVE FABRICS ASSOCIATION OF AMERICA

The Upholstery and Decorative Fabrics Association of America represents the leading American wholesalers of decorative drapery and upholstery fabrics for the home furnishing industry. We are comprised of national companies engaged in doing business with American textile manufacturers of quality. We are engaged in servicing the furniture manufacturers, the industrial designers, the interior designers, the architects and the upholsterers, all of whom support our position with regard to the need for quality and continuance of free trade. We were established over 40 years ago for the express purpose of protecting the interests of textiles and related products and as specialists to provide advice to the government. This was done in the 30's when the world economy was similar to that of today.

We strongly object to the passage of H.R. 18970. It is ill-timed, restrictive and destructive at a time the world economy cannot afford, a view that has been forcefully spelt out and maintained by President Nixon's top financial advisors and also by many renowned world economists with full cognizance of the disaster to the economy in the 1930's. To pass such a bill is a very serious and long step backward for freer world trade for which all nations have worked so diligently. This bill has been motivated by the pressure of large textile interests who are not representative of the textile industry. There has been a complete disregard in allowing the hundreds of small textile manufacturers, textile wholesalers who support these manufacturers and those they both serve to be heard and to give their expert knowledge on textiles in general and quality the country needs in particular. This bill is "anti-consumer" as it will deprive the American public of the quality they deserve and cause prices to skyrocket on inferior textiles.

Bill HR 18970 is the worst bill in modern times. It has been grossly mishandled since its concept. While this bill is dangerous because of its international trade implications, it is doubly dangerous to incorporate in one bill two such important pieces of legislature which are completely unrelated and both controversial issues. This method of passing the Trade Act as a rider on the coat tails of the Social Security Bill can only be interpreted as the worse form of treachery to be perpetrated upon the American public. We urge that these bills be put in their proper perspective and dealt with independently. Representation by the people has lost its meaning and this kind of legislation could start a serious crumbling of the bulwarks of the democratic way of life.

The textile industry has many parts. The administration has only been made conscious of a small segment of a vast, complex and varied industry in its qualities, style and conversion. The quality textile industry related to many subsidiaries in the home furnishing industry and effects the employment of millions. The importation of quality textiles is not because of price advantage or to compete more favorably against domestic manufacturers, but because the quality and specifications required are not produced in the United States. We cause no hardship to any domestic manufacturer, but instead support them in all areas of woven textiles, printed textiles and synthetics. If the Trade Act as it is now written is permitted to pass, domestic prices will increase measurably and with it foreign prices will sharply rise in proportion to take up the differential in dollar value where they have lost it in volume. We must not forget that after World War II the United States gave away untold monetary assistance to woo friends in less developed and war torn nations at a high cost to the American public. We later turned our attention to inviting trade participation under the slogan "Trade Not Aid". Now we eliminate this slogan for world peace, understanding and healthy relations by adopting protectionism.

It is ironic that textiles should be singled out to cast the spear that will open an international wound that will take a very long time to heal and to open the door for further deterioration by trade quotas on many other products. The manufacture of textiles goes back over five thousand years. This makes it the most damaging product to curtail because it is a natural trading instrument for the less developed countries and it is the one commodity that can be made with the hands alone without sophisticated machinery, elaborate technology or heavy financing. Take this away from the less developed countries and you take away their opportunity to participate in world trade.

In summary we strongly urge the Administration to use its wisdom in sound legislation to segregate the Social Security Bill and the Trade Bill—two unrelated but very important issues. We urge that this Committee return to the original proposal HR 14870 and adopt it as a framework for trade policy in trading with other nations to protect the large capital investment the United States has outside the United States boundary, to avoid retaliation, to eliminate an atmosphere of uncertainty where American businessmen would hesitate to pursue export markets with confidence, create suspicion and cause the loss of an immeasurable amount of good will.

We urge more vigorous negotiation through GATT to impress upon those nations who inflict hardship upon our industry that they are violating national trade rights by impeding access of United State's products to their markets.

AMERICAN FARM BUREAU FEDERATION,
Washington, D.C., October 12, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: We request that this statement be made a part of the record of the Senate Finance Committee hearings on proposals to amend the Social Security bill (H.R. 17550) with amendments which include the provisions of the House Ways and Means Committee bill on trade (H.R. 18970).

As the largest general farm organization in the United States, the American Farm Bureau Federation represents the producers of every major agricultural commodity. Farm Bureau has long recognized the importance of maintaining national policies which will encourage the expansion of trade with other countries on a mutually advantageous basis.

In the United States the production of approximately one acre out of four is exported. If farmers are to prosper they must have access to foreign markets. Exports are important not only to farmers who produce for export, but also to those who would face increased competition in the domestic market if we were to lose our exports markets.

At the same time, producers of some agricultural commodities understandably are concerned about excessive imports. Proponents of H.R. 18970 contend that this legislation would provide a mechanism for relief from excessive imports. Fresh tomatoes are an example of such a commodity. Presently tomato producers are being injured by the rapid rise in imported fresh tomatoes from Mexico. Since 1964 fresh tomato imports from Mexico have risen 41 percent and currently are 20 percent of our domestic consumption. Our intent here is to flag this type of import problem as one needing attention, rather than to endorse the specific mechanism in H.R. 18970.

The trade amendments before you contain several provisions that would expand trade and some provisions which are restrictionist in nature. Among these provisions:

We favor:

New Presidential tariff reduction authority.
Liberalized adjustment assistance.
Time limit provisions for Tariff Commission findings.
Liberalization of escape clause provisions.
Elimination of ASP.
Strengthening the Anti-Dumping Act.
More flexibility in applying countervailing duties.

We oppose:

Textile import quotas.
Import quotas on shoes.
Mandatory quotas on oil.

These amendments—taken in their entirety—are essentially protectionist in nature and inevitably would lead to retaliatory action by other countries. American agriculture stands to lose both present agricultural exports and trade expansion opportunities if other nations retaliate.

Our judgment is that these amendments are not in the best interest of agriculture or the economy of the nation as a whole. As a consequence, we cannot support these trade amendments.

Sincerely yours,

CHARLES B. SHUMAN, *President.*

[Telegram]

WRITTEN STATEMENT SUBMITTED BY COMITEXTIL

The EEC Textile Industries Coordination Committee—Comitextil—grouping all branches and sectors of the textile industry of the six common market countries—employing 1,700,000 workers—has examined the content of draft bill H.R. 18970 approved on August 13, 1970 by the Ways and Means Committee of the House of Representatives, and concludes as follows:

1. Commercial traffic in textiles and clothing between the European community and the United States between 1966 and 1969 has been more favourable tto American exports than to those of the Common Market, since they progressed by 42% during that period as against only 28% for the Community.

2. The share in the total importations taken by Community deliveries of textiles and clothing on the American market is in regression, as the following figures show:

19.6% in 1966.
19.4% in 1967.
20.0% in 1968.
18.0% in 1969 of total imports into the United States.

3. Taking into account the constant and normal increase in the volume of international commercial traffic, shown by the latest annual Gatt report, it may be considered that, over the last 5 years, EEC textile and clothing exportations

to the United States have caused no deterioration either of the balance of textile exchanges between these two trading partners or of the general situation prevailing on the American textile market.

4. Under these conditions, if no amendment were made to the present provisions of draft bill H.R. 18970 in order to exclude community textiles from its application, the consequences of adopting and bringing that bill into force would be:

To cause serious unilateral distorsion in textile commercial traffic between the EEC and the United States;

To unjustly penalize EEC textile exportations in their strictly fair and proper commercial activities which are in every way in accordance with the principles of Gatt.

5. With the aim of avoiding disturbance in the world textile trade and its unforeseeable consequences, in the spirit, also of a positive approach to the problem presently being examined in the United States, and with concern for preserving the legitimate interests of all parties in the matter, Comitextil on behalf of the EEC textile industry, strongly urges abandoning draft bill H.R. 18970 in favour of multilateral negotiation between the industrialized States principally affected by the evolution of commercial traffic in woolen and man-made fiber textiles.

G. DE GERLACHE DE GOMERY,
President of Comitextil.

ITALY-AMERICA CHAMBER OF COMMERCE, INC.,
Washington, D.C., October 13, 1970.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: I am writing to express our Chamber's deep concern over the proposed addition of the Trade Bill to the Social Security legislation.

The Italy-America Chamber of Commerce is an organization of over 500 American businessmen and firms engaged in two-way trade between the United States and Italy.

We are fearful that the Trade Bill in its present form (H.R. 18970) will have disastrous effects on our ports and port workers and on our shipping industry by cutting down trade and jobs both in exports and imports, and on the American export industry by decreases in volume and employment; that it will cause increased burdens upon consumers; and that it will add to inflation. Ultimately, the current trade bill would cost the United States many billion dollars in export losses, and a million or more jobs.

The Balance of Payments between the United States and Italy has long been favorable to the United States. Among the major export items from Italy are high fashion—high quality—high priced footwear and apparel. Italy relies upon that trade to pay for purchases of commodities from the United States. Quotas on footwear and apparel from Italy, and unwarranted restrictions on other articles from Italy, would serve only to reverse the favorable U.S. trade balance.

We are in constant touch with our Italian and other European trading partners and believe that the threat of a major trade war through spreading counteraction is a very serious and a very real prospect.

We urge, therefore, that the present trade bill not be enacted into law and that trade and adjustment legislation be redesigned to assure our continued prosperity and leadership in international trade.

Sincerely yours,

ARTHUR A. DE SANTIS,
Executive Secretary.

STATEMENT OF H. WILLIAM TANAKA,* IN BEHALF OF ELECTRONIC INDUSTRIES ASSOCIATION OF JAPAN

This Statement is submitted on behalf of the Electronic Industries Association of Japan, a trade association whose membership includes all of the major Japanese manufacturers of electronic products and components which are exported to the United States. The EIA–J appreciates this opportunity to present its views on the vital trade policy issues now pending before the Committee on Finance.

*In accordance with the Foreign Agents Registration Act this witness supplied the Committee with materials related to his registration.

It is the position of the EIA–J that enactment of H.R. 18970 would constitute a serious setback in the effort toward mutual reduction of barriers to international trade. It could set off a chain reaction of protectionism in which all countries would lose.

I. CONDITION OF U.S.-JAPAN TRADE IN ELECTRONICS

The very brief time provided for submitting statements to the Committee does not permit a detailed analysis of this bill and its probable effects on world trade. However, we believe that a general description of conditions of trade in electronic products would provide useful background information to the Committee since the trade in these products would be seriously affected by enactment of H.R. 18970.

We are therefore attaching a copy of a statement submitted to the House Ways and Means Committee on behalf of Toshiba America, Inc. This statement describes the close and complementary relationship between the U.S. and Japanese electronic industries.

It points out that the trade between the United States and Japan in electronic products is a perfect example of the classic theory of comparative advantage. The United States is the world leader in electronics technology, and the U.S. industry is most successful in those areas where its advanced technology can best be put to use. Japan, in turn, has utilized some of this technology in developing a wide range of consumer electronic products. In so doing, the Japanese manufacturers have made important contributions to the development of the consumer electronics market in the United States by widening the range of products available to the consumer. The Japanese companies applied miniaturization technology purchased from the United States to develop products such as the small transistor radio, the micro-television set, and the portable tape recorder. These Japanese innovations have opened a vast new market potential in the United States, offering a much wider range of products for the consumer, to the benefit of the United States as well as the Japanese industry.

On the other hand, the U.S. industry has contributed substantially toward development of electronics in Japan, and American companies have an important stake in the Japanese market. Most of the major Japanese companies purchase extremely expensive U.S. electronic computers and other high technology equipment and components, such as integrated circuits and semi-conductors. In addition, many Japanese companies have purchased American technology through patent and know-how licensing agreements, for which they pay royalties amounting to approximately a quarter of a billion dollars per year. In 1969, U.S. exports accounted for 5.4% of total Japanese consumption of electronic products, not including substantial amounts of telecommunications equipment. The United States applied approximately 75% of Japan's imports of industrial electronic equipment, with sales increasing by 32.4% between 1968 and 1969.

The statement also refutes recent charges that Japan follows a protectionist policy in electronics. It points out that non-tariff controls on imports of television sets were removed several years ago, and also describes the recent reductions in Japanese duties on television sets.

Finally, the statement describes the potentially disruptive effect of import quotas on electronic products. It emphasizes that quotas would seriously restrict competition, stifle product innovation, and thereby limit the price and product options available to American consumers.

II. ANALYSIS OF H.R. 18970

At the time this statement was submitted, there was no opportunity to comment on the provisions of H.R. 18970 which were subsequently reported by the House Ways and Means Committee. While we object to many aspects of this bill, we are compelled by the limited time available to restrict our comments to two particularly onerous provisions—the so-called "trigger mechanism" in escape clause investigations, and the drastic tightening of the deadlines for antidumping investigations.

A. Escape clause provisions

Section III of the bill completely revises the criteria which the Tariff Commission must follow in escape clause investigations. While it is generally recognized that the present criteria in the Trade Expansion Act of 1962 are unduly stringent, the changes proposed in H.R. 18970 go too far in the opposite direction. The criteria for escape clause actions would be relaxed to the point where it would no longer be necessary to establish any relationship whatsoever between trade agreement concessions, increase in imports, and injury to a domestic industry. This provision is in direct conflict with Article XIX of the General Agreement on Tariffs and Trade which authorizes contracting parties to withdraw or modify trade agreement concessions only when it is established that imports have increased as a result of obligations incurred by a contracting party under the GATT, including tariff concessions.

Moreover, H.R. 18970 would seriously restrict the President's choice of remedial actions if, in addition to finding injury under the greatly relaxed escape clause criteria, the Commission determines that imports constituted more than 15% of domestic consumption. In that event, the President would have no alternative except to proclaim the import restriction recommended by the Commission or to impose no restriction at all.

This decision could be dictated by as few as two members of the Tariff Commission since the "additional determination" and the decision as to the nature of import relief would be made only by a majority of those commissioners finding injury.

The 15% formula is an arbitrary statistical test which does not take into consideration a wide variety of competitive conditions. Obviously, it is an oversimplification to presume that a 15% market penetartion by imports, in and of itself, constitutes injury, without taking into consideration the specific circumstances of the product and industry concerned.

For example, if this test were to be applied in Japan, it would require a conclusion that imports of various U.S. products have injured the Japanese electronics industry. According to the statistics in the attached statement, imports of industrial electronic products in Japan accounted for approximately 19% of total Japanese consumption in 1969. Imports from the United States alone accounted for 13.5%. Moreover, the market penetration in Japan by imports of several individual electronic products and components is far higher than this percentage. Application of the arbitrary formula in the "trigger mechanism" of H.R. 18970 would require imposition of restriction on imports of such products under these circumstances.

B. Antidumping procedures

Section 301 of the bill imposes extremely tight and unrealistic deadlines on the processing of antidumping complaints by the Treasury Department. The Secretary of the Treasury would be required to decide within four months after the initiation of the investigation whether to order withholding of appraisement. Under present Treasury Department regulations, the Secretary must issue a final determination at the time appraisement is withheld, unless the exporters and importers concerned request an extended period of withholding of appraisement, in which case the Treasury Department has an additional three months before a final determination.

Thus, H.R. 18970 would have the effect of imposing a maximum deadline of seven months on the entire Treasury Department investigation in antidumping cases. We submit that this deadline would make it impossible for the Department to conduct a fair and adequate investigation.

The Ways and Means Committee itself recognized the problems which this provision would create. The Committee Report states:

"At the same time the Committee considers it important that procedures not be abbreviated to such a degree that would prevent the Treasury Department from reaching a sound and well-based decision. Deadlines for furnishing information, and rebutting information furnished, whether by American producers, foreign manufacturers, or American importers will in many cases create hardships, but nevertheless will have to be adhered to strictly. If the Treasury fails to receive requested information within the prescribed time limits, it will be compelled to act on the basis of the best information available to it. The Committee recognizes this as a price that will have to be paid for the changes in antidumping investigation procedures called for in the present bill. It is the opinion of the Committee that the abbreviated procedures provided for in the bill represent a reasonable compromise of the interests involved." [1]

The Japanese electronics industry has recently been subjected to a rash of antidumping investigations involving eight different products. We know from personal experience that the deadlines imposed by this bill are totally unrealistic. It would be impossible for the Treasury Department and the Bureau of Customs

[1] H.R. Rept. No. 91-1435, 91st Cong., 2d., Sess. 45 (1970).

to conduct an adequate antidumping investigation in the brief time permitted even if the Department receives sufficient funds to expand the staff according to present plans.

Antidumping investigations impose severe administrative burdens on the foreign exporters and manufacturers involved. The Treasury Department requires each company to prepare a detailed analysis of its pricing structure, cost of production, distribution system, etc. Most important, all of this information must be supported by voluminous documentation which is submitted for verification by the Treasury Department and the Customs Bureau.

For example, Japanese manufacturers of television sets were required to assemble and submit literally thousands of documents to the U.S. Treasury representative in Tokyo. Subsequently, they were required to submit many of the same documents to the Customs Bureau in Washington. Lengthy and repeated meetings between Government officials and representatives of these companies were needed to explain this voluminous data. Moreover, the Japanese manufacturers were required by Treasury regulations to prepare summaries of the information for the complainant. The complainant raised numerous objections which in turn required further investigation by the Treasury Department and further submission of evidence by the respondents. The Treasury Department could not possibly evaluate the evidence in a case of this complexity within the extremely short deadlines provided by H.R. 18970.

For this reason, the statement by the House Ways and Means Committee that if the Treasury fails to receive the requested information within the prescribed time limits, "it will be compelled to act on the basis of the best information available to it", causes particular concern. It will be impossible for respondents in many antidumping investigations to provide the voluminous data required by the Treasury Department in sufficient time for the Department to adequately analyze the data within the four-month period provided by the bill. In most cases, the only other information available to the Treasury will be that provided by the complainant. Obviously, such information does not provide an adequate basis for an objective and accurate determination.

In its Report, the House Ways and Means Committee said it is important that: ". . . Procedures not be abbreviated to such a degree that would prevent the Treasury Department from reaching a sound and well-based decision."

But the unreasonable and unrealistic deadlines provided in H.R. 18970 would have precisely this result. Unless Section 301 of H.R. 18970 is amended to give the Treasury Department adequate time to conduct a fair value investigation, U.S. antidumping procedures would inevitably be biased against foreign producers since they would not be given sufficient time to present their case. As a result, the U.S. antidumping procedures would no longer be viewed as an objective, unbiased method of dealing with unfair trade practices, but would be transformed into a particularly onerous non-tariff trade barrier.

CONCLUSION

In conclusion, we respectfully submit that the Senate Finance Committee should give careful consideration to the serious deficiencies of H.R. 18970. Legislation with such potentially damaging effects on world trade should not be enacted without opportunity for adequate consideration by Congress and full public debate.

STATEMENT OF H. WILLIAM TANAKA,* IN BEHALF OF TOSHIBA AMERICA, INC., NEW YORK, N.Y.

This statement is submitted on behalf of Toshiba America, Inc., an importer and distributor of consumer electronic products and components. Toshiba America is incorporated in the United States with offices at 477 Madison Avenue, New York, New York. It is a subsidiary of Tokya Shibaura Electric Co., Ltd., a leading Japanese manufacturer of electronic products. Toshiba America appreciates this opportunity to present its views on the vital trade policy issues now pending before the Committee on Ways and Means.

We are submitting this statement because of our deep concern over the rising trend of protectionism reflected in the many quota bills now pending before this Committee. In particular, we wish to register our opposition to the various bills which would impose quotas on imports of consumer electronic products and components. We submit that there is no need or justification for such drastic trade restrictions.

*In accordance with the Foreign Agents Registration Act this witness supplied the Committee with materials related to his registration.

THERE IS A CLOSE RELATIONSHIP BETWEEN THE U.S. AND JAPANESE ELECTRONICS INDUSTRIES

First, in considering the trade policy alternatives for the electronics industry, it is essential for the Committee to recognize the international character of the industry. Perhaps more than any other major industry, electronics is truly international in scope, both with respect to marketing and sourcing. In many respects it is a perfect illustration of the classic theory of comparative advantage. The United States is the world leader in electronics technology, and the U.S. industry is most successful in those product areas where its advanced technology can best be put to use. Japan, in turn, has utilized some of this technology in developing a wide range of consumer electronic products.

The less developed countries are also playing an increasing role in the world electronics market in the manufacture of relatively low technology high labor input products such as small transistor radios. Electronic components are manufactured in many countries, and producers of finished products in Japan, the United States and Europe purchase their components on a worldwide basis.

Relations between the electronic industries in the United States and Japan are particularly close, and trade between the two countries in electronic products is mutually beneficial. The United States and Japan lead the world in the production and export of electronic products although the United States is by far the largest in both production and exports. In 1969, U.S. production amounted to approximately $29 billion compared with Japanese production of $6.6 billion. The United States earned approximately $2.9 billion from exports of electronic products while Japan earned approximately $1.9 billion. The trade between the two countries alone amounted to about $1.2 billion.

Today most of the major American electronic companies use Japanese-made components or subassemblies in their products. In addition, a number of U.S. manufacturers import finished consumer electronic products from Japan to round out their product lines. It is unlikely that any manufacturer can produce all of the great number and variety of home entertainment products which the American consumer desires. In order to offer a full line of consumer products, many American manufacturers look to Japan as a source for products which they do not manufacture themselves, while concentrating on those products which they can produce most efficiently in volume. These Japanese products are generally produced to U.S. manufacturers' specifications for sale under U.S. brand names.

In turn, most of the major Japanese companies purchase extremely expensive U.S. electronic computers and other high technology equipment and components such as integrated circuits and semiconductors. In addition, many Japanese electronic companies have purchased U.S. technology through patent and know-how licensing agreements for which they pay royalties amounting to approximately a quarter of a billion dollars per year.

Thus, America and Japan draw freely upon each other's talents, skills and resources to create the fantastic array of electronic products now available to homes and industries.

The trade between the two countries in electronics is substantial. The United States is the largest market for Japanese exports while Japan is the second largest customer for U.S. electronic products, after Canada. Japan represents a rapidly growing market with great potential for the future.

In 1969 U.S. supplied Japan with 5.4% of her total consumption of electronic products, not including substantial amounts of telecommunications equipment. In that year Japan accounted for about 3.5% of the total U.S. electronics market, and about 14% of consumer electronic consumption. It is also significant to compare the share of total imports of electronic products by each country. In 1969, the United States accounted for 73% of Japan's total imports of electronic products, while about 55% of total U.S. electronic product imports were purchased from Japan.

The relative size and market power of the two industries is illustrated by the fact that in 1969, 51.5% of Japan's total electronic exports were shipped to the United States, while sales to Japan accounted for only 10% of total U.S. electronics exports. Nevertheless, the United States was able to supply 5.4% of total Japanese consumption with only 10% of its exports while Japan could supply only 3.5% of the total U.S. market even though the United States absorbed more than half of Japan's total exports.

Another noteworthy fact is the complementary nature of the electronics industries in Japan and the United States. The U.S. industry has long been the world leader in technology as a result of huge research and development expenditures for defense applications which have greatly contributed to the overall technical capability of the American manufacturers.

On the other hand, the Japanese industry has progressed by purchasing basic technology from the United States for the development of transistors, integrated circuits, etc. Japanese manufacturers have utilized this technology in the production of a variety of consumer electronic products such as radios, television receivers, tape recorders, and portable desk type electronic computers. Thus the growth of the Japanese industry has largely been stimulated by growth in the consumer electronics sector.

This fact is reflected in the trade pattern of the two countries. Consumer products accounted for about 71% of total Japanese electronics exports in 1969, followed by electronic parts (18%) and industrial electronic equipment (11%). American electronic exports show precisely the opposite pattern with industrial products accounting for more than 66% of total exports, components accounting for 31%, and consumer products about 4%.

Thus Japan is a substantial purchaser of foreign industrial electronic equipment, with such equipment accounting for 52.5% of Japan's total electronic imports in 1969. And the United States supplied approximately 75% of Japan's imports of industrial electronic equipment with sales increasing by 32.4% between 1968 and 1969. On the other hand, the United States is a substantial purchaser of foreign consumer electronic products. Consumer products for 54.5% of total U.S. electronics imports in 1969, and Japan supplied a little more than half of U.S. imports of consumer products, a substantial percentage of which was purchased by U.S. original equipment manufacturers.

The foregoing statistics give an indication of the important stake which both countries have in a free flow of trade in electronic products—a stake which is jeopardized by the pending quota bills.

These facts tend to become obscured in the heated debate over trade policy. Instead, a great deal of incorrect information and inaccurate impressions have been conveyed which give a distorted picture of the true situation in U.S.-Japan electronics trade. We would like to take this opportunity to correct some of these misconceptions.

THE CHARGES OF JAPANESE PROTECTIONISM AND EXPORT SUBSIDIES ARE UNTRUE

In our opinion, the charges of Japanese protectionism in electronics are unfair and contrary to the facts. For example, it has been asserted that U.S. manufacturers are prevented from selling television sets in Japan by non-tariff barriers such as import-licensing, currency controls, and quotas. This is simply untrue. Such controls on imports of television sets were removed several years ago, and U.S. companies can export to Japan free of any such restrictions. In fact, it is possible for American manufacturers to sell large color TV sets in Japan at prices well below those of Japanese manufacturers. The lack of significant U.S. exports to Japan of large screen TV sets is not due to Japanese trade restrictions, but rather to the fact that such sets are *too large* for most Japanese homes.

Japan agreed in the Kennedy Round negotiations to reduce its duties on television sets in several stages. Japan recently decided to speed up its scheduled duty reduction by nine months so that the full Kennedy Round reduction will be completed on April 1, 1971. On that date, the duty rate for color TV sets will be 12.5% for screen sizes of 20 inches and over (compared to 17.5% in 1970) and 15% for screen sizes of 19 inches and under (compared to 21% in 1970). The duty on black and white sets with screen sizes of 20 inches and over will be cut from 14% in 1970 to 10% in April, 1971, while the duty for sets of 19 inches and under will be reduced from 21% to 15%.

In addition, Japan is opening her doors to U.S. investment in the electronics industry. Contrary to some claims, there are not restrictions on investment in the consumer electronics sector. A total of 29 American companies are now operating in Japan of which 7 share more than 15% of the capital of local ventures or operate through wholly owned subsidiaries. These foreign capital affiliated companies accounted for 2.9% of total Japanese sales of electrical and electronic products in 1966 compared to 2.4% the previous year. In addition to capital affiliation, most of the major Japanese electronics companies are involved in technical licensing agreements with their American counterparts. For example, our parent company, Tokyo Shibaura Electric Company, has a long history of technical tieups with General Electric, and is presently engaged in joint ventures with General Electric and Ampex.

Finally, there have been repeated charges that exports to the United States of electronic products are subsidized by the Japanese Government in violation of the General Agreement on Tariffs and Trade. These charges are also untrue. The Japanese industry receives no export subsidies or bounties within the meaning of the GATT. To us it seems rather strange that protectionists in this country should complain of government subsidization when the U.S. electronics industries owes its technological leadership to massive governmental expenditures for research and development, and when nearly half of the industry's total sales consists of products and services sold under contract to the Department of Defense.

JAPANESE PRODUCT INNOVATIONS HAVE CONTRIBUTED TO THE EXPANSION OF THE U.S. MARKET

In considering the growth in imports of Japanese electronic products, it is important to recognize the substantial contributions which the Japanese manufacturers have made to the U.S. consumer electronics market. The Japanese industry has played a leading role in adapting new technology to consumer electronic products, and in the process, has widened the range of products available to the consumer—particularly the low-income groups. The Japanese companies applied miniaturization technology purchased from the United States to develop products such as the small transistor radio, the micro-TV set, and the portable tape recorder. There was no significant market for such products in the United States before the advent of imports from Japan. These Japanese innovations have opened a vast new market potential in the United States offering a much wider range of products for the consumer, to the benefit of the U.S. as well as the Japanese industry.

The pocket-size transistor radio is a classic example. The transistor, which was invented by Bell Laboratories in 1947, was originally used only in industrial and military equipment. No American company considered the transistor ready for use in consumer products. But Japanese manufacturers who obtained licenses for transistor technology recognized its potential for home entertainment products, and succeeded in reducing transistor cost to the point where small transistor radios could be sold at competitive prices. The development of the small transistor radio *revitalized* the radio market which was steadily declining from the impact of television. During the early 1950's before the advent of imported transistor radios, total home radio sales dropped from 9.2 million in 1950 to 6.1 million in 1954. But radio sales increased sharply after imported transistor sets began entering the country in the mid-1950's, and total sales in 1969 amounted to 39.4 million units. (Marketing Services Department, Electronic Industries Association.)

The imported micro-TV set is another example where Japanese manufacturers have developed a market largely overlooked by the domestic industry. The U.S. manufacturers concentrated primarily on the larger console type television sets. They did not meet the consumer's need for a truly portable set by merely adding luggage handles on 19-inch sets weighing 30 or 40 pounds. However, the Japanese manufacturers applied miniaturization and transistor technology for the development of truly portable "personalized" 8-inch and 5-inch television sets. These imports have opened an entirely new market since in addition to the large living room console, the average family can now afford a second or third television set for other rooms or for outdoor use.

With recognition of the innovating role of Japanese products, some of the claims of import injury can be placed in a better perspective. For example, great emphasis has been placed on statistics showing that imports now account for about 88% of U.S. radio consumption, with the implication that imports have practically destroyed this segment of the U.S. industry by capturing the market for American manufacturers. Actually, the figures represent the creation of a *new* market by imports which did not exist before Japanese manufacturers developed the pocket size transistor radio. The same is true for other products such as portable tape recorders and small screen TV sets. Japanese imports have not captured the market for these products. Instead, they have *created* markets for these products through their own innovation, and the home entertainment industry has been the richer for their efforts.

These Japanese innovations have not displaced domestic production since, in general, comparable products are not produced in this country. Thus, it is incorrect to assume that every imported transistor radio, portable tape recorder, or small screen TV set means one less item produced in the United States with a corresponding loss of employment. Were it not for imports, these products would not have been available to the American consumer since U.S. manufacturers have generally concentrated on the larger and higher profit items.

THE PRESENT SLOWNESS OF DEMAND IN AFFECTING JAPANESE AS WELL AS U.S. PRODUCERS

U.S. manufacturers of consumer electronic products have recognized the important contribution of imports, and have generally supported a liberal trade policy. The Consumer Products Division of the Electronic Industries Association vigorously opposed import quotas in testimony before this Committee in 1968. While the Consumer Products Division maintained this position in testimony during the present series of hearings, its testimony demonstrates concern over competition from imports. In view of present market conditions it is understandable that domestic companies would be concerned about competition from *any* source, but it should be recognized that all producers, both domestic and foreign, are feeling the pinch.

In the present uncertain economic situation with continued inflation on the one hand and rising unemployment on the other, consumers have less money to spend for items such as television sets and other home entertainment products. The effects have already been reflected in the sales of U.S. manufacturers. The Japanese companies have also been affected although the results have not, as yet, been clearly reflected in the import statistics. Market changes do not show up as quickly in imports statistics because of the time lag between order and delivery and because of the fact that many imported products are purchased under long-term contracts. As far as our own company is concerned, however, we can state that our imports have fallen off.

Moreover, the results are now beginning to appear in the Japanese export figures. According to statistics of the Japanese Ministry of Finance, color television exports to the United States dropped by 41% in April, 1970 compared to 1969, bringing the four-month total down 7% from the same period of 1969. April, 1970 exports of transistor radios were off 14.4%, radio phonographs were down 8.4%, low power transceivers dropped by 28.4%, and auto tape players were down 6.4%.

We are all going through a difficult period. But we are confident that the market will pick up when the economy recovers from the present period of uncertainty and readjustment. When that happens the sales of both U.S. and Japanese manufacturers will improve.

Certainly, it would be short sighted to take such drastic measures as imposition of import quotas because of a short term market condition.

IMPORT QUOTAS WOULD DISRUPT THE MARKET AND STIFLE PRODUCT INNOVATIONS

Import quotas are the most stringent and onerous form of trade restrictions. They completely disrupt the normal forces of supply and demand, and artificially inflate prices, precisely at a time when inflation is the most urgent domestic problem. The price rise would be particularly severe if import quotas were imposed on electronic products.

The consumer electronics industry has an enviable record of price stability in contrast to the general inflationary trend. Last year, television prices averaged about 80 on the consumer price index (1957–59=100) while radios were approximately 75. These price trends should be compared to the average index for all consumer goods of 127.7.

Clearly, imports have contributed substantially to this price stability. But if the supply of imports were artificially restricted by quotas, prices would inevitably rise. The consumer and the economy as a whole would suffer. This could not happen at a worse time with the Government desperately trying to slow down the inflationary spiral.

Quotas would seriously restrict competition, stifle product innovation, and thereby limit the price and product options available to American consumers—particularly the low income consumers including the minorities. Moreover, this would also be harmful for the consumer electronics industry. The industry is dynamic, and marked by a constantly changing product mix as manufacturers apply technology to development of new products.

Many home entertainment products sold today were not on the market or even developed a few years ago. The Japanese manufacturers have made important contributions to consumer electric product innovation.

Imposition of import quotas would stifle this vital process of new product development which has been the primary factor behind the tremendous expansion of the consumer electronics market. For example, H.R. 16287, a bill supported by the World Trade Committee, Parts Division, Electronic Industries Association, would establish a 1970 quota for consumer electronic products and components based on the average annual quantity and value of such articles entered during the three calendar years 1966 through 1968 with provision for increases or decreases proportionate to changes in consumption compared with the 1966–68 base years. By basing quotas on imports of three or four years ago, this bill would tend to freeze the product mix and provide no room for new developments.

Such legislation would deprive the consumer of many new and moderately priced consumer entertainment products which are now in the development stage and would shut off the great potential for market growth which these products offer. Moreover, the consumer electronics industry would be deprived of the competitive stimulus of product innovation. The consumer, the industry, and the nation as a whole would suffer as a result.

In addition, the establishment of quotas for an industry as complex as consumer electronics would be an administrative nightmare for industry and government as well. It would be extremely difficult for any company to conduct business when supply of its stock in trade is totally uncertain due to arbitrary restrictions. Once the annual quotas are filled, all additional imports would be totally embargoed until the new quotas opened. Even if the overall quota is known in advance, no individual importer can be sure that his own shipment will be entered before the quota is filled. If the gates are closed while the shipment is on the way, the importer must bear warehousing costs until the quota reopens. It is difficult to see how an importer can make commitments to his customers and suppliers under such circumstances.

Previous experience demonstrates that some measures must be taken to allocate the quotas in order to avoid a chaotic scramble among exporters and importers. This would not only require allocation among foreign supplier nations, but also some method of assigning quota shares to U.S. importers such as the issuance of import licenses. In an industry as large and diverse a consumer electronics, the administrative problems would be monumental. Moreover, any such arrangement would obviously have serious anticompetitive effects within the United States.

But of greatest importance would be the effects on international trade and the prosperity of the free world. The effect of U.S. quota restraints on such a large item of trade would spread well beyond the electronics industry itself. It could serve to reverse the trend toward reduction of trade barriers in which the United States has played the leading role. Instead, we would once again find ourselves in a vicious circle of retaliation and counter-retaliation in which all nations would lose.

In conclusion, we respectfully submit that there is no need or justification for imposition of quotas on imports of consumer electronic products and components. Such measures would only disrupt a vital and growing industry to the detriment of the consumer, the industry, and the nation as a whole.

JAPANESE ELECTRONICS IMPORTS—TOTAL IMPORTS AND SHARE FROM UNITED STATES

[In thousands of dollars]

	1966	1967	1968	1969	1967/66 (percent)	1968/67 (percent)	1969/68 (percent)
Industrial products:[1]							
Total	$114,377	$168,970	$193,499	$246,046	+47.7	+14.5	+27.2
From United States	$75,039	$110,791	$132,253	$175,061	+47.6	+19.4	+32.4
Percent from United States	65.6	65.6	68.3	71.1			
Components:[2]							
Total	$24,616	$39,728	$72,470	$116,787	+61.4	+82.4	+61.2
From United States	$20,437	$31,417	$58,459	$89,287	+53.7	+86.1	+57.9
Percent from United States	83.0	79.1	80.7	79.0			
Consumer products:[3]							
Total	$5,319	$7,968	$9,094	$12,344	+49.8	+13.6	+36.4
From United States	$2,949	$5,616	$6,003	$6,640	+90.4	+6.9	+10.6
Percent from United States	55.4	70.5	66.7	53.8			
Electronics total:							
Total	$144,312	$216,666	$275,018	$375,177	+50.1	+26.9	+36.4
From United States	$98,425	$147,824	$196,745	$273,988	+50.2	+33.1	+39.3
Percent from United States	68.2	68.2	71.5	73.0			

[1] The United States supplies nearly ¾ of Japan's imports of industrial electronics; U.S. industrial electronic sales to Japan increased 133 percent between 1966 and 1969.

[2] The United States supplies almost ⅘ of Japan's imports of electronic components; U.S. exports of electronic components have quadrupled in the past 3 years.

[3] The United States supplies over ½ of Japan's imports of consumer electronics; U.S. consumer electronic sales to Japan more than doubled between 1966 and 1969.

ELECTRONICS CONSUMPTION IN JAPAN AND UNITED STATES SHARE

[In thousands of dollars]

	1966	1967	1968	1969	1969/68 (percent)
Consumer products:					
Japanese factory sales	1,272,760	1,709,867	2,302,319	3,503,319	+52.2
Imports	5,319	7,968	9,049	12,344	+36.4
Exports	(670,535)	(741,461)	(1,004,369)	(1,390,322)	+38.4
Consumption	607,535	976,374	1,306,999	2,125,341	+62.6
Imports from United States	2,949	5,616	6,003	6,640	+10.6
Share of United States (percent)	0.4	0.6	0.5	0.3	
Industrial electronic products:					
Japanese factory sales	544,359	745,776	1,005,769	1,260,900	+25.4
Imports	114,377	168,970	193,499	246,046	+27.2
Exports	(77,618)	(94,668)	(139,367)	(211,816)	+52.0
Consumption	581,118	820,078	1,059,901	1,295,130	+22.2
Imports from United States	75,039	110,791	132,253	175,061	+32.4
Share of United States (percent)	12.9	13.5	12.5	13.5	
Components:					
Japanese factory sales	763,840	957,726	1,222,764	1,883,392	+54.0
Imports	24,616	39,728	72,470	116,787	+61.2
Exports	(179,568)	(180,518)	(257,615)	(350,105)	+35.9
Consumption	608,888	816,936	1,037,619	1,049,994	+59.0
Imports from United States	20,437	31,417	58,459	92,287	+57.9
Share of United States (percent)	3.4	3.8	5.6	5.6	
Electronics total:					
Japanese factory sales	2,580,959	3,413,369	4,530,852	6,647,611	+46.7
Imports	114,312	216,666	275,018	375,199	+36.4
Exports	(864,728)	(1,016,647)	(1,401,351)	(1,952,323)	+39.3
Total consumption	1,860,543	2,613,388	3,404,519	5,070,465	+48.9
Imports from United States	98,425	147,824	196,745	273,988	+39.3
Share of United States (percent)	5.3	5.7	5.8	5.4	

Note.—Above data exclude telecommunications equipment and parts thereof.

Source: Japanese factory sales: Japanese Ministry of International Trade and Industry. Imports and exports: Japanese Ministry of Finance.

STATEMENT OF NATIONAL COUNCIL OF FARMER COOPERATIVES

I am Robert N. Hampton, Director of Marketing and International Trade of the National Council of Farmer Cooperatives. The National Council is a nationwide federation of farmer-owned businesses engaged in the marketing of agricultural commodities or the purchasing of farm production supplies, and of 34 state cooperative councils. The cooperatives making up the Council are owned and controlled by farmers as their off-farm business operations.

The National Council is pleased to have this opportunity to express its views on trade policy issues of such vital importance for our national economic welfare and our entire foreign policy stance. We believe, however, that it would be extremely hazardous for abrupt action to be taken on H.R. 18970 without due regard for the threats to farmers, exporters, consumers and the national interest which are inherent in this bill. The bill as it came from the House Ways & Means Committee and was cleared for floor action only by an 8–7 vote by the House Rules Committee, has such sweeping yet ambiguous powers and mandates for the President that this feature alone deserves extended public and congressional debate. Furthermore, its broad import restricting features would create an entirely new environment for international trade, would challenge the foundations on which our major international trading rules under the General Agreement on Tariffs and Trade are founded, and if applied in the same fashion against the United States would reduce trade to a confused or chaotic state which could be fatal to hopes of improvement of international relations in any sphere.

Trade matters are critical not only because of their economic significance but because in the broadest sense an expanding trade represents our best avenue toward breaking down political barriers and misunderstandings which so often give rise to international strife. World trade expansion is a desired goal of the National Council to broaden market opportunities for our cooperatives and their farmer members in selling higher quality or lower cost U.S. agricultural products throughout the world. Other witnesses before this committee have pointed out the merits of expanded trade as a stimulus to competition, as a means of retarding excessively rapid inflation in this or any other country and as a spur to world economic development. We would like to point out that the Council's interest in reducing trade barriers is not based on some unrealistic or impractical "free trade" stance, but is predicated on the traditional principle of reciprocity, as clearly enunciated in the following current policy statement adopted by our members:

"*Expansion of Foreign Trade in Farm Products*—The National Council of Farmer Cooperatives endorses the objectives of expanded world trade and encouragement of market opportunities abroad for American agricultural products. We recognize also that the lowering of barriers which now limit world trade may create serious economic dislocations and that adjustments in trade patterns must normally come about through careful and gradual reduction of trade barriers.

"Under GATT (General Agreement on Tariffs and Trade) or other international trade negotiations, expanded trade to benefit all countries is possible only if offers by all trading partners represent comparable concessions. This principle of economic reciprocity must continue to be the keystone of U.S. trade policy.

"The National Council recommends renewal of Presidential authority to enter into further trade agreements based on true reciprocity. Many forms of non-tariff barriers, such as quotas, embargoes, unrealistic inspection procedures, and lack of uniformity of grade regulations and tolerances hamper efforts to achieve such reciprocity and severely limit U.S. export opportunities. Negotiations toward agreements should be focused on reduction of such non-tariff barriers, and particularly on the variable levy system widely used by the European Economic Community (EEC)."

The National Council is not insensitive to the real needs for import relief which sometimes apply. We are concerned especially with those import problems resulting from foreign government subsidy or other such inequitable practices which put U.S. interests at an unfair disadvantage. The following policy statement stresses the need for prompt relief to protect domestic producers or industries when faced with such undue import pressures:

"*Import Trade*—The National Council of Farmer Cooperatives recognizes the need for safeguards in any nation's trade policy against excessive imports of commodities already produced domestically in substantial quantities. Such provisions should allow domestic producers of agricultural products to enjoy their fair share of an increasing market at home as well as in world markets.

"Provisions of Section 22 of the Agricultural Adjustment Act and of the Trade Expansion Act of 1962 should be promptly invoked when necessary to protect domestic producers or industries against undue import competition. Procedures for adjustment assistance under the provisions of the Trade Expansion Act should be liberalized to provide for more effective and prompt relief. We are greatly concerned over the restrictivesness of interpretation of Congressional intent in this regard, and the negligible benefits which have been available in efforts made to date to obtain such assistance."

We strongly support the major objectives of the Administration trade bill, (H.R. 14870) to facilitate and liberalize the assistance available to import damaged firms, workers and industries, and to enlarge the Presidential trade negotiating authority, particularly with respect to reduction of non-tariff barriers. Establishment of international institutional machinery for continuous review and negotiation of non-tariff barrier issues and other trade problems should have the highest priority in our trade policy deliberations. Trade in agricultural products is among that most affected by internal policies as well as by other non-tariff "distortions", and a continuous strong effort will be needed by all nations to develop an effective international negotiating forum for the harmonization of policies which are central to national sovereignty. H.R. 14870 represents a most important step in that direction.

We should like to point out that the President already has a broad range of powers to deal with seriously damaging import situations, ranging from the Section 22 of AAA Act of 1933 provisions protecting our own agricultural programs to Antidumping Act or Section 303, Tariff Act of 1930 protection against any excessive price cutting or government subsidization of exports to the United States. Further harmonization of international practices relative to dumping and export subsidies is needed, along with strengthening of the international machinery needed to make prompt findings and enforce such rules. Attached is a listing of the President's powers to restrict imports, as shown in the House Ways and Means Committee Print of June 3, 1970.

We also believe that strengthening of the Office of the Special Trade Representative, through greater executive and legislative support for its key role in trade policy coordination and negotiation, is vital to U.S. success in international trade negotiations. Conflicting views of the various government agencies can otherwise greatly weaken our negotiating effectiveness. The Chief Trade Negotiator is in the best position to guide our efforts to achieve fair and reciprocal concessions which duly take into account economic interests of all trading groups as well as political considerations involved.

The damage done by subsidies and other such trade distorting export practices, not only to U.S. farmers, cooperatives and other national interests, but to the long range prospects for world trade expansion and world political stability, deserves much attention. Programs of adjustment assistance proposed in H.R. 14870 will help greatly in some situations where imports cause overly abrupt or serious dislocations. In addition, some provision should be made to speed up and make more effective other measures such as U.S. countervailing duties to offset subsidized products from abroad. Export subsidies have been a serious and continuing problem for farm commodity interests, and administrative relief has often been too limited and slow. This has been a contributory factor in the growing demands for import quota or other U.S. retaliatory action in recent years.

The National Council has worked closely with other farm groups in recent months to express our concern over current trade situations which have hurt or threatened U.S. agricultural interests. We are alarmed at the lack of more rapid progress in effectively negotiating to reduce trade distortions caused by such critical issues as the variable levy principal applied to many agricultural imports of the European Economic Community and in resolving the touchy U.S. textile import problem. While we believe that removal of the American Selling Price system for applying tariffs to certain U.S. chemical imports would be helpful in important respects in future negotiations with the EEC, we urge that our trade negotiations capitalize on the fact that Europe's own variable levy barriers against U.S. farm exports is far more sweeping and inequitable than is ASP.

The attached letter sent by the National Council and several other organizations expresses these views widely shared among U.S. farm and agribusiness interests most deeply involved in international trade. Our overriding concern is that the EEC's variable levy principle, which represents a flagrant and unfair departure from the trade expansionist goals of the General Agreement on Tariffs & Trade, be subject to negotiation, or, above all, not be extended further to Great Britain or otherwise.

In summary, the National Council views the need for continuance of long-standing U.S. trade expansionist policy as the most important consideration in these hearings. Trade problems from inequities and trade distortions caused by export subsidies and unfair barriers such as the EEC's variable levy system should be given top priority, and international institutions such as GATT should be improved, strengthened and organized on a more "permanently in session" basis to negotiate multilateral solutions wherever possible. As more efficient international negotiating procedures and forums are developed, and more effective and fair means are developed for international enforcement of agreements, the need for disruptive and risky unilateral actions should be lessened and world trade can continue to grow in a more orderly fashion.

Our Special Trade Representative should have more authority for developing and coordinating our foreign trade policy, and more strength and responsibility for conducting negotiations on an aggressive, reciprocal basis. This offers our best hope for developing the more clear-cut, cohesive and balanced national trade policy which we need. Agricultural interests should be viewed as an integral part of all our major international negotiations since they are vital, both economically and politically, throughout the industrial as well as in the developing areas of the word.

Special import problems such as those resulting from the use of undue export subsidies or other devices prohibited by GATT, or by shipments into the U.S. of products which are below standards of quality or sanitation designed to protect U.S. consumers should be given special consideration. We support, too, the principle of reciprocity as provided for under GATT for resolving these special import problems.

We urge this Committee to give the most careful consideration, however, to the risks involved in establishment of unilateral import quotas to solve import-induced difficulties of many industries whose deeper problems may prove to be those of excessive inflation, obsolescence, or other inefficiencies. Several critical elements of H.R. 18970 would spark grave dangers of leading the U.S. into an uncharted area of trade conflict repercussions, away from our long-standing efforts to regularize and institutionalize fair rules for international trade. Before taking the dangerous risks of initiating restrictions which might lead to widespread retaliations and a possible reversal of world trade expansion, every avenue of investigation to establish conclusive proof of injury and desirability of government assistance should be taken in appropriate cases while all possible efforts to negotiate a solution are being taken. We applaud the recognition of the value of this approach in the Administration's recommendation's opporing import quotas on shoes, and encouraging government assistance as an interim measure. We strongly support this technique, which would be further encouraged by Title III of H.R. 14870.

We strongly endorse the efforts toward negotiating reduction of non-tariff barriers to trade, under Title IV of H.R. 14870. Along with other major farm and agribusiness trading interests, we deplore the particularly sweeping and unfair NTB of the European Economic Community, the variable levy system which not only acts as a complete barrier to certain farm imports, but in turn causes the U.S. and U.S. farmers to finance export subsidies which are used to ship European farm products to this country.

We thank the Committee for the opportunity to present our views.

SUMMARY OF PRESIDENT'S POWERS TO RESTRICT IMPORTS

Problems	Remedies	Authorities
When a foreign country—	The President can—	Under—
I. Imposes unjustifiable (illegal) or unreasonable restrictions on U.S. exports.	I. Withdraw trade concessions granted the country (raise U.S. duties to their 1930 levels) and for agricultural products also impose quotas.	I. Sec. 252, Trade Expansion Act of 1962. (See p. 105.[1])
II. Imposes discriminatory restrictions or charges on U.S. exports.	II. Impose retaliatory higher tariffs (up to 50-percent ad valorem) on foreign imports equivalent to the level of foreign discrimination.	II. Sec. 338, Tariff Act of 1930. (See p. 162.[1])
III. Dumps imports on the U.S. market at prices below those prevailing in the country's own market, injuring the U.S. producer of a competitive product.	III. Impose special dumping duty in addition to normal customs duty.	III. Antidumping Act, 1921. (See p. 121.[1])
IV. Subsidizes its exports to the United States.	IV. Impose countervailing duty equal to subsidy in addition to normal customs duty.	IV. Sec. 303, Tariff Act of 1930. (See p. 147.[1])
V. Interferes with U.S. agricultural price-support programs by shipping excessive exports to the United States.	V. Impose fees or quotas in addition to basic duty.	V. Sec. 22, Agricultural Adjustment Act of 1933. (See p. 65.[1])
VI. Engages in unfair competition...	VI. Exclude articles from entry into the United States.	VI. Sec. 337, Tariff Act of 1930. (See p. 149.[1])
VII. Threatens to impair the national security of the United States by excessive exports to the United States.	VII. Increase tariffs or impose quotas to control level of imports.	VII. Sec. 232, Trade Expansion Act of 1962. S(ee p. 102.[1])
VIII. Seriously injuries or threatens to seriously injure U.S. industries by excessive exports to the United States.	VIII. Raise tariffs, impose quotas, negotiate international agreements, or provide trade adjustment assistance to individual firms and groups of workers.	VIII. Secs. 302, 351, and 352, Trade Expansion Act of 1962. (See pp. 14, 28–30.[1])
IX. Seriously injures U.S. workers or firms by excessive exports to the United States.	IX. Provide trade adjustment assistance.	IX. Sec. 302, Trade Expansion Act of 1962. (See p. 14.[1])

[1] "Selected Provisions of the Tariff and Trade Laws of the United States and Related Materials," Committee on Ways and Means, U.S. House of Representatives, committee print, June 3, 1970.

NATIONAL COUNCIL OF FARMER COOPERATIVES,
Washington, D.C., June 5, 1970.

THE PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: We strongly support your objective of expanded world trade, in the interest of U.S. economic and political goals and as a crucial element in world economic development and political stability.

Administration efforts to broaden trade through expanded market development and through efforts to reduce trade barriers are highly commendable. We endorse the major aims of the Administration trade bill to give substantial Presidential negotiating authority toward removal of non-tariff barriers to trade and to give further government assistance to industries damaged by imports.

We are increasingly concerned, however, with major threats to your trade expansionist, outward-looking foreign policy stance. Non-tariff trade barriers of the European Economic Community which are inconsistent with the concept of trade liberalization and violative of the General Agreement on Tariffs and Trade threaten to be further expanded because of the possible entry of the United Kingdom into the EEC. The failure of the Kennedy Round negotiations to deal effectively with the most notorious and damaging of these NTB's, the EEC's variable import levy system, has been a source of continuing frustration to broad U.S. agricultural interests which have consistently supported a trade expansionist position.

Major U.S. farm markets in Europe have already suffered severe losses because of the variable levy system, which in effect is a means of charging the U.S. and U.S. farmers for high support farm programs without production restraints. U.S. agricultural groups understand that European political unity may be desirable, but the maintenance of such non-tariff trade barriers against U.S. agricultural products is not essential to achieving that unity. We also believe that Europeans should now assume a much larger share of the burdens of unity.

We believe it is urgent that variable levies be the subject of prompt negotiation with a view to seeking a modification and eventual elimination of such levies before a decision is reached on the question of UK entry into the EEC. The extension of the variable levy system to the UK and other areas would sharply reduce U.S. farm exports, hurt the U.S. balance of payments position and lend support to those who seek a more protectionist trade policy by the United States.

We strongly support your continuing efforts to resolve the complex textile trade issue through negotiated restraints on imports which may be unduly troublesome to our domestic textile industry. We fear that unless your efforts are successful in achieving a voluntary arrangement which is in the best interest of the U.S., Japan and the world trading community, unilateral Congressional import restraints by the U.S. might trigger a series of trade confrontations and additional foreign import restrictions which could seriously threaten the goal of world trade expansion.

We believe that a foreign economic trade policy which is aimed at expanding mutual trade in accordance with the principle of sound economics and on a reciprocal basis is essential to the welfare of American agriculture and to our national economy. We also agree that there are burdens as well as benefits which must be shared in the process of liberalizing world trade. The United States has been a leader in the policy of limiting trade restriction measures primarily to instances where serious injury or threatened injury is established. The variable levy system of the EEC, however, was unilaterally established contrary to the principles of the GATT and without any showing or claim of injury. Such a system is regressive and should not be extended to other areas. Unless it is modified, it will not only continue to be a source of friction but it will ultimately force the United States, as well as other nations, to shift away from an expansionist trade policy position and adopt similar restrictive measures.

Any further trade restrictionist moves such as extension of the variable levy system to an enlarged EEC will lead to destructive trade conflict between regional blocs. Because we believe a worldwide climate for trade expansion is so essential to American agriculture and to our nation, the undersigned respectfully request the opportunity to meet with you to discuss these matters.

Sincerely yours,

National Council of Farmer Cooperatives, Washington, D.C., Kenneth D. Naden, Executive Vice President; National Grange, Washington, D.C., John W. Scott, Master; National Farmers Union, Denver, Colo., Tony T. Dechant, President; National Farmers Organization, Corning, Iowa, Oren Lee Staley, President; American Soybean Association, Hudson, Iowa, D. Leslie Tindal, President; Institute of American Poultry Industries, Washington, D.C., Harold M. Williams, President; National Canners Association, Washington, D.C., Milan D. Smith, Executive Vice President; National Corn Growers Association, Boone, Iowa, Walter W. Goeppinger, President; National Federation of Grain Cooperatives, Washington, D.C., R. K. Bauer, President; U.S.-National Fruit Export Council, Santa Clara, Calif., D. F. McMillen, President.

Statement by Gary Dietrich, President, Van Dervoort's Athletic Equipment

Introduction

I am Gary Dietrich, President of Van Dervoort's Athletic Equipment, Lansing, Michigan. Van Dervoort's is one of the four major U.S. importers and distributors of the Adidas brand athletic shoes. It is my purpose to acquaint you with Adidas products and the uniqueness of its position among non-rubber athletic footwear imported into the United States.

The Adidas sports shoe manufacturing company was founded by Adi Dassler, a long time West German sports enthusiast, in Herzogenaurach, West Germany, over 50 years ago. The original purpose of Mr. Dassler's enterprise was to provide professional, as well as amateur West German athletes, with high quality athletic shoes of individual design. Acceptance of the new and superior Adidas shoe spread rapidly throughout West Germany, and it was not long before international athletes became aware of the unique qualities of these shoes. Top U.S. athletes, performing in international competition, tried the Adidas shoes. They found them much to their liking and, upon returning to the U.S., rapidly became "good will ambassadors" of Adidas. These well-known athletes helped bring to surface a latent demand for snug, flexible and light weight Adidas shoes in this country.

Today, Adidas is the major West German exporter to the U.S. of non-rubber athletic footwear for men, youths and boys—excluding ski boots. Adidas is probably also the major factor among imports of athletic shoes from France, although I do not have the latest figures at hand to substantiate this. Adidas' shoes fall into the category of "n.e.s." athletic shoes (tariff schedule 700.3515), which account for sixty-eight percent (68%) of all pairs of *athletic* shoes imported into the U.S. and make up forty-four percent (44%) of the dollar value of all imported *athletic* shoes. Of that portion of "n.e.s." athletic shoes which came from West Germany in 1969, Adidas shipped two (2) out of every three (3) pairs, and its exports to the U.S. represented about fixe-sixths (⅚) of the dollar value (See Appendix B). Hence, Adidas can certainly speak for imports of athletic shoes from West Germany.

It is our position that, first, *athletic shoes* are too insignificant among imported shoes to be a disruptive factor. In fact, the athletic shoe sector is only a minor component of the total non-rubber shoe industry, representing at most one and one-half percent (1½%) of the total consumption of non-rubber footwear in the U.S. Secondly, as Appendix A to this testimony points out, Adidas's shoes are hardly typical of the great bulk of imported shoes. In fact, they do not cater to the markets sought by the vast majority of imports. While the typical import is a women's shoe, largely vinyl, sold at discount prices in discount stores, Adidas shoes are leather, relatively high-priced, made for specific athletic events and sold exclusively in sporting goods shops.

Adidas has long been the leader in athletic shoe design and production in Europe. It was not until several years ago that Americans became aware of the results of Adidas's research and development efforts which culminated in athletic shoes designed with the utmost consideration given to the specific purpose of the shoe. Their design superiority created a demand for a particular brand—Adidas—and for the variety of Adidas shoes constructed specifically for individual sporting events.

With regard to the research underlying Adidas's technical design, it is interesting to note that Adidas owns the following U.S. patents:

U.S. Patent 3,156,987—Detachable spikes and cleats in a nylon sole (threaded sockets injected in the nylon sole).

U.S. Patent 3,284,931—Soft form-fitting tongue fits perfectly (3-part tongue).

U.S. Patent 3,290,801—The elastic heel-to-sole wedge protects ligaments, joints and heel against bruising (Intervall shoe).

U.S. Patent 3,224,117—Lightness and glove-like fit are achieved by using a special kangeroo velour uppers (reverse side up).

U.S. Patent 3,341,952—The Adidas springy relief nylon sole creates an ideal fit.

It was with their track shoes that Adidas first became a well-known factor in athletic shoe consumption in the U.S. Most U.S.-made track shoes have featured medium-weight leather uppers and leather soles. Apparently U.S. producers leaned toward an "economy" theory that the medium-weight shoe was substantial enough to endure both daily practice sessions and track meets. As a result, differences in styles among U.S. track shoes have traditionally reflected little more than a choice of colors and design differences have been minimal.

Unlike the U.S. manufacturers, Adidas has designed track shoes for use in various types of competition. In the U.S. Adidas offers thirteen (13) different styles of cleated and five (5) of non-cleated track and field shoes, all light-weight. The special types of track and field shoes produced by Adidas (*but with no U.S. counterpart*) are the long jump shoe, a shoe for injured track athletes, hi-jump shoes, shoes for the javelin thrower, shoes for the hammer thrower, shot putters' shoes, shoes for competition walking, a special lightweight shoe for the marathon runner and special cross-country shoes. Use of special shoes for a particular track and field event has increasingly spread from the professional and college athletes to high school and area recreation department athletes.

The eager acceptance of Adidas track and field shoes by top U.S. athletes spurred U.S. importation of other Adidas sport shoes. Adidas's 1970–71 U.S. catalog offers five styles of football shoes, twelve styles of soccer shoes, four styles of basketball shoes, four styles of tennis shoes, an official's shoe, a boxing boot, a wrestling boot, a fencing shoe, seven training and jogging shoes and two gym pumps. With the eighteen different track shoes, Adidas offers fifty-six different styles of sport shoes.

The Adidas basketball shoe, especially the Superstar model, has received overwhelming consumer acceptance, paralleling if not surpassing, the success of its track shoe. Obviously, the U.S. consumer considered the Adidas feather-light leather basketball shoe superior to the top U.S. shoes made of heavy-duty duck canvas. The success of the Adidas leather basketball shoe prompted the leading U.S. manufacturer of basketball shoes, Converse Rubber Company, to compete with a leather shoe design of its own. Initial difficulties with the durability of its leather shoe caused Converse to suspend production temporarily. Lacking was the extensive research and development that customarily precedes Adidas's introduction of a new shoe line. However, Converse has more recently become the major competitive producer of leather basketball shoes.

Other firms have capitalized upon the traditional trademark of Adidas shoes—three vertical side stripes—and have turned out imitations in vinyl and cheaper leathers, at wholesale prices well below Adidas's. In fact, there has come into being a sizeable trade in what is called "Adidas Type" shoes, particularly since the 1968 Olympics when the three stripe Adidas shoe gained extensive national popularity in this country. Moreover, the Adidas shoe designed for indoor track meets has become a popular leisure-wear item among college and high school youths to the point where a host of U.S.-made casual track shoes—patterned after the Adidas competition shoes—are now being domestically manufactured.

The Adidas tennis shoe has, to date, received less widespread support than the basketball shoe but consumer demands are quite favorable and on an uptrend. It holds the same design and quality of workmanship differential over domestic shoes that the Adidas basketball shoe held when it was introduced. Three of the four styles of Adidas tennis shoes are constructed of leather uppers, whereas U.S. counterparts are of duck canvas. The fourth Adidas model is the only tennis shoe with air net uppers, which provides a cool inside effect while allowing quick evaporation and which falls without the purview of the pending legislation.

It is indicative of Adidas's specialized nature that all of its products are sold through sporting goods stores. Sporting goods stores fall in the category of "all other retail outlets"—that is, other than shoe stores, ready-to-wear stores, variety stores, mail order catalogs and general merchandise stores. This category, "all other retail outlets", accounted for the sale of only one and five-tenths percent (1.5%) of all footwear sold in the United States in 1968. Hence, it is evident that sporting goods stores cater to a specific and specialized segment of the shoe industry. The major competitors of Adidas also utilize sporting goods stores as their marketing outlets. Few, however, restrict themselves solely to this marketing channel.

In short, the imported athletic shoe constitutes a unique segment of the U.S. athletic shoe trade which, in turn, is a markedly distinguishable component of the total non-rubber footwear industry. Thus, athletic shoes can readily be singled out for exclusion from the effectiveness of legislation which may or may not be appropriate for other segments of the non-rubber footwear industry. In this regard it is noteworthy that the House Ways and Means Committee reached a smilar conclusion in its report on H.R. 18970 when it stated on page 39:

"It was brought to the committee's attention that certain articles of athletic footwear imports are selected by athletes because they feel that the design of the shoes, including a close fit and light weight, are particularly suited to their needs as a professional or amateur performer. The shoe is selected by the athlete for its suitability for the particular athletic event involved, and the price is generally higher than that charged for domestically produced athletic shoes of the same type. It is expected that the President would exercise his authority [to exempt articles of footwear] in this kind of a situation." (Report of the Committee on Ways and Means, House of Representatives, to Accompany H.R. 18970, House Report No. 91–1435, August 21, 1970.)

Viewing both sides of the coin of pending protectionist legislation, two facts are clear: (a) U.S. manufacturers are not preceptibly affected by the importation of athletic shoes, and (b) the imposition of quotas will adversely affect the American athletic consumer. The demand for Adidas shoes is burgeoning: from the first year of the proposed quota base, 1967, to the last year, 1969, sales of Adidas shoes in the U.S. increased over fourfold. 1970 sales will exceed 1969 by an appreciable margin. It is therefore clear that future year sales under a quota system will not permit entry into the U.S. of the total panoply of Adidas products. Obviously the more profitable lines and those easiest to sell will be given priority under the quotas. Consumers seeking athletic shoes of less popular sizes, or those made for specialized usage, or a shoe that carries a lower markup will find their requirements hard to fill. Moreover, it is doubtful that American producers will fill the void left by the quota since each of the different types of shoes that will become scarce upon the introduction of quotas is too small to attract the start-up of American production.

If I may summarize, it seems clear that the trade in athletic shoes represents such a smal portion of the overall consumption of non-rubber footwear in the U.S. that, by any reasonable standard, it cannot be held accountable for whatever deterioration may have occurred in the domestic shoe industry. Certainly there is no evidence to establish that imported athletic shoes have caused or threatened to cause market disruption in the U.S. non-rubber footwear industry. In fact, imported athletic shoes have proven to be highly important to the U.S. athletic consumer who would be needlessly affected if athletic shoes are caught in the net of restrictive measures designed to yield benefits for other sectors of the shoe industry. The end result would be helpful to neither the domestic producers nor to the athletic consumer.

It is our view that the foreign trade in non-rubber athletic footwear—particularly in the specialized items designed for individual sporting events—has made a positive contribution to the U.S. footwear industry. U.S. producers as well as the athletic consumer have both benefited, the former by the spur of competition that brought it out of its technological doldrums, and the latter by being able to purchase specialized athletic shoes of superior design and quality not available from U.S. manufacturers.

Production and import trends for non-rubber athletic shoes show continued growth in both areas. It should be pointed out that the marked success of imported athletic shoes is undoubtedly the result of advancing technology abroad in the design and manufacture of athletic shoes to meet diversified demands. The case in point is the example of Adidas which manufactures more than fifty (50) different models of non-rubber athletic shoes designed for a variety of sporting events. The fact that Adidas is an innovator is attested to by its many copyists. Quite accurately, it can be said that Adidas has stimulated—not stunted—its American competition.

For the reasons outlined above, we urge the Committee to exclude athletic shoes from the proposed quotas on non-rubber footwear.

Thank you very much.

APPENDIX A

THE IMPORTED ADIDAS ATHLETIC SHOE WIDELY DIFFERS FROM THE TYPICAL IMPORTED SHOE

Characteristic	A description of— The typical imported shoe[1]	The Adidas shoe[2]
(1) Designed for	Women and misses	Athletes (almost totally male).
(2) Upper materials	Uppers of plastic (supported vinyl uppers) or, less likely, has uppers of leather.	Leather.
(3) Imported from	Japan or Taiwan (if vinyl) or from Italy or Spain (if leather).	West Germany and France.
(4) Average landed value	$1.30 (if leather, $6)	$6.35.[3]
(5) Sells for	$2 or $4, if vinyl; much higher if leather	$10.50[4]
(6) Marketed through	Self-service centers, variety stores, and discount stores.	Sporting goods stores.

[1] USTC, report on investigation, No. 332-62, December 1969.
[2] Adidas Co. records.
[3] Average value of Adidas exports from West Germany. Average value for France unavailable.
[4] Estimated retailers margin of 40 percent.

APPENDIX B

OVER ⅔ OF THE TOTAL PAIRS AND 80 PERCENT OF THE DOLLAR VALUE OF U.S. IMPORTS OF N.E.S.[1] MEN'S AND BOYS' NONRUBBER ATHLETIC FOOTWEAR FROM WEST GERMANY ARE ADIDAS PRODUCTS, YEAR 1969

	Pairs	Dollar value
U.S. imports from West Germany of n.e.s. men's, youths', and boys' athletic footwear (TSUS-7003515)	[2] 847,202	[2] 4,791,128
Adidas exports from West Germany to the United States	[3] 573,944	[3] 3,966,172
Adidas as a percent of total U.S. imports of n.e.s. men's, youths', and boys' athletic footwear (TSUS-7003515)	67.7	82.8

[1] N.e.s.—Not elsewhere specified, TSUS classification 7003515 which accounts for 68 percent of the total pairs and 44 percent of the total dollar value of all imported nonrubber athletic footwear per appendix.
[2] Per U.S. imports FT146, U.S. Department of Commerce, Bureau of Census.
[3] Adidas Germany records.

STATEMENT OF THE NORTHERN TEXTILE ASSOCIATION, BY WILLIAM F. SULLIVAN

This statement is submitted on behalf of the Northern Textile Association, 211 Congress Street, Boston, Massachusetts, in support of the Amendment to the Social Security Bill H.R. 17550, which we understand has been or will be offered by Senator Talmadge and which is the Trade Act of 1970, as reported by the Ways and Means Committee in August.

The Association, founded in 1854, represents textile manufacturers of cotton, wool and man-made fiber fabrics and yarns located primarily in the Northeast with the greater number in New England. The Association has several divisions. In addition to cotton and man-made fiber, it includes manufacturers of pressed felt, elastic fabrics, wool fabrics, as well as blended fabrics and yarns.

We wish to emphasize the urgent need for limitations on imports of wool and man-made fiber textiles.

Our members tend to be the small to medium-sized textile mills located in many communities throughout the Northeast where they frequently provide the principal source of manufacturing employment. We number about 85 manufacturing corporations; many employ 200 to 300 workers. Only a few employ more than 1,000 workers.

In the Northeast there are 880,000 textile-apparel jobs of which 177,000 are in the New England States, 250,000 in Pennsylvania and 343,000 in New York.

The import problem began to grow in the mid-50's and, except for the restraints imposed by the LTA, continues unabated. Now imports are accelerating in a time of seriously depressed markets. This is a disturbing factor since in the past when the market declined in the United States, imports tended to decline although to a lesser extent.

In the first eight months of 1970, imports totaled nearly 3 billion square yards equivalent. They are 19% higher than the same period last year and 66% higher than the same period in 1967. They are 125% higher than the level of 1965. August man-made fiber textile imports are 69% more than a year ago.

The latest Government figures on textile gray goods show shipments and new orders sharply below the previous month's and previous year's figures.

The most seriously affected part of our industry is the wool textile segment. Wool textile imports are now 36.4% of domestic wool production, a record. This proportion is the result of imports continuing at high levels while industry activity has declined 30% since May of 1966.

Since 1953, over 250 mills employing over 90,000 workers in New England have been liquidated. Not all of these mills have closed because of imports alone, but imports have been a substantial contributing factor.

Two years ago, we appeared before Congressional Committees urging similar action. Since then imports of cotton, wool, and man-made textiles have risen 66%. Man mades alone have increased 88%. Apparel imports have risen 45%. The apparel market is the only market for a majority of our mills.

The deficit in the balance of trade in textiles for the first eight months of 1970 was $821 million, 24% more than the $663 million in the same 1969 period. This is an annual rate of $1.24 billion, 140% more than the 1967 total.

These changes are not just statistics to us. Last year Berkshire Hathaway, Inc., of New Bedford, Massachusetts, had to abandon the production of gingham fabrics, both cotton and blends. Imports took an increasingly large part of the American market and 1,100 production workers lost their jobs permanently. There are still 1,000 workers at this mill and they want to keep their jobs.

The Stanrich Mills and Paul Whitin Manufacturing Co. in Massachusetts, the Wyandotte Mill in New Hampshire, and the French Worsted Mill and Syntextils, Inc., both in Rhode Island, went out of business in 1969 and eliminated another 1,100 jobs.

So far in 1970, 14 mills with 3,175 workers, 8 wool textile and 6 cotton and synthetic have liquidated. The wool textile mills are J. P. Stevens & Co., Inc., of No. Andover, Mass.; Marriner & Co., Inc., of Lawrence, Mass.; Abbott Worsted Mills of Wilton, N.H.; J. P. Stevens & Co., Inc., of Tilton and Franklin, N.H.; Crown Alexander, Inc., of Dexter, Maine; Blezard Yarn Mills, Inc., of Pawtucket, R.I.; and The Aldon Spinning Mills Corp., of Talcottville, Conn. The cotton and synthetic mills are Florence Mills of Greenville, N.H.; Sparling Mills, Inc., of No. Scituate and W. Warwick, R.I.; Peitavino Silk Mill, Inc., New Bedford, Mass.; West Point Pepperell, Inc., Sheeting Division, of Biddeford, Maine; and Gallant Manufacturing Co. of Newmarket, N.H.

Displaced textile workers, because of seniority and age, usually find little alternate employment and when they do, it is generally a lower skilled job at lower pay. The whole community is adversely affected.

This is not the whole story, however. In most communities such as New Bedford and Lowell in Massachusetts, Manchester, New Hampshire, and Lewiston, Maine, there are approximately 2,000 so-called "hard-core" unemployed at each location. Poverty is not limited to the ghettos. Our mills provide employment for the unskilled, training for semi-skilled jobs and promotion to skilled jobs. We want to make our contribution to our communities and our nation in this regard, but we cannot so long as our products are driven out of the American market by unfair competition from low-wage, low-cost producers in other countries.

In the textile and apparel industry this is a matter not only of regional importance but of national importance as well.

In our opinion no comprehensive international agreements will be made until this Amendment becomes law. Only when it becomes law will the exporting countries find it to their advantage to negotiate in good faith with the United States. The Amendment encourages voluntary solutions because agreements made after its enactment superseded the quota levels established by the Bill.

Our Government has recognized for over a decade that the textile industry has a unique import problem. The time has come to adopt this legislation so that a reasonable solution can be attained. The time has come to stop going with hat in hand, pleading with foreign governments to solve a United States domestic social and economic problem. We must take the first essential steps—namely adopt this Amendment. If not, we cannot expect foreign governments to do for us what we are unwilling to do for ourselves.

Statement of L. E. Kust, Vice President and General Tax Counsel, Westinghouse Electric Corporation, With Respect to the Domestic International Sales Corporation Provisions

SUMMARY

Westinghouse Electric Corporation strongly endorses the Domestic International Sales Corporation (DISC) provisions contained in the Trade Act of 1970 (H.R. 18970). These provisions reverse the action taken in the 1962 Revenue Act to tax currently the income of export subsidiaries and will promote exports by enhancing the after-tax profit on exports. Taking into account the income tax base resulting from the value-added as a result of increased exports, there will be no revenue loss but a revenue gain if exports are increased by as much as 7.5 percent.

STATUTORY BACKGROUND

Until 1963 that portion of the profit from exports properly allocable to a foreign selling subsidiary was free of United States tax so long as it remained unrepatriated. As a result of the addition of subpart F to the Internal Revenue

Code by the Revenue Act of 1962, export profits of foreign subsidiaries generaly have been subjected to United States tax, while the profits of foreign manufacturing subsidiaries have remained generally free of United States tax until repatriated. The export trade corporation provisions of subpart G of the Internal Revenue Code were also enacted in the 1962 Act in an attempt to remove the bias against exports, but the requirements of those provisions have proved extremely difficult to meet, leaving exports generally in a less favorable position under the United States tax law than foreign manufacturing through a foreign subsidiary. Meanwhile the United States balance of payments has steadily worsened. Thus, at the very time when our tax structure should have favored exports, it was altered to the disadvantage of exports.

DISC AN ENCOURAGEMENT TO EXPORTING

The DISC proposal would go far toward reversing the bias against exports under the present tax laws.

Under the DISC proposal, United States income tax on the profits of the domestic selling subsidiary from its export activities will be deferred while those profits remain invested in the assets associated with the export activities of the subsidiary and its parent corporation. We believe this will stimulate exports in two ways. First, if the tax effect is large enough to justify significant price reductions, United States exports will be more competitive. Second, by effectively doubling the after-tax profits of export sales subsidiaries, a great impetus will be given to increasing export effort.

Many United States producers view export sales as incremental. The result is typically that domestic sales are favored over export sales, and the efforts directed toward the promotion of export sales have not matched those directed toward domestic sales. Instead of there being extra effort in the international area, there has been less effort. If, however, tax on the profit from an export sale is indefinitely deferred, it is to be expected that promotion of export sales will increase. Even large companies, such as Westinghouse, with established export markets do not put equal export effort into all their product lines and the tax incentive of the DISC would, we believe, induce greater export effort from such companies as well as from those whose export sales are incremental. In addition, companies not now engaged in export will be induced to undertake exports by the lure of current tax-free income. Thus, we believe that the DISC proposal will improve exports and the United States balance of payments.

The initial revenue loss from the export incentive must not be overemphasized and be permitted to obscure the potential revenue gain from increased exports. The revenue loss from the tax incentive will be offset not merely by the tax paid on the profit retained by the manufacturing parent from increased exports but by tax revenue generated by the total of the value added by the increased exports, if, as is in the main most likely, such increased exports represent additional production. Thus, for each dollar of increased exports, which will result in lost revenue with respect to the income of the DISC of some two cents, there will typically be an increase in the income tax base by reason of the value-added represented by the export sale of some 90 cents, producing tax revenue of about 18 cents. On this basis an export increase of $3 billion, or about 7½ percent, will offset the initial revenue loss and increases in exports of over $3 billion will yield a net revenue gain. With such a diminished risk of continuing significant revenue loss and the potential of gains in exports, it appears clear that implementation of the DISC proposal would be a wise national decision.

UNION CARBIDE CORPORATION,
New York, N.Y., October 12, 1970.

HON. RUSSELL B. LONG,
Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: The Trade Act of 1970, H.R. 18970, proposes a system of tax deferral for a new type of corporation known as a Domestic International Sales Corporation (DISC). This proposal has the strong support of Union Carbide Corporation. We believe it will effectively stimulate U.S. exports and that its enactment would be an important step toward improving the Nation's balance of trade.

Our support for DISC is based primarily on an intensive analysis of its potential effect on 23 major product groups representing about 80 percent of Union Carbide's current exports. This analysis indicates that, over ten years, our total exports would be $370 million greater with DISC then they would be without it. To us, this would represent a substantial improvement in export sales which would yield significant benefits to our domestic employment and production.

Our analysis, which was based on tax deferral when DISC is fully operative, revealed four different ways in which DISC could materially increase Union Carbide's exports by enabling it: (1) to meet lower overseas sales prices; (2) to exert more intensive selling and promotional efforts; (3) to provide a combination of lower prices and more active promotion; and (4) to justify expansion of domestic manufacturing facilities in some cases in order to make goods available for export and as a substitute for expansion of overseas facilities. A summary of this analysis is attached.

While our analysis applies only to products of Union Carbide, we believe the DISC proposal would be effective in stimulating exports of a wide range of U.S. produced goods.

We hope the proposal will have your support.

Sincerely,

F. PERRY WILSON, *President.*

ANALYSIS OF POTENTIAL EFFECTS OF DISC ON EXPORT SALES OF UNION CARBIDE CORPORATION

INTRODUCTION

To appraise the effect of the provisions of DISC on export net profit, it is first necessary to assume a specific effective tax rate for a deferral period. Using the Treasury Department's proposal to split profit evenly between the parent company and the DISC, this analysis assumes that the effective tax rate on total exports would be approximately 25 percent, extending over a period of at least ten years.

To obtain sufficiently extensive coverage upon which the effects of DISC might be evaluated on a reasonably conservative basis, marketing potentials and strategies were analyzed in detail for 23 major product groups which account for most of Union Carbide's overall export business (estimated $235 million for 1970). These projections were made by marketing specialists who are in daily contact with price trends, rates of consumption, and competitive influences in all major export markets.

EFFECTS OF DISC

The anticipated favorable effects of partial tax deferral as contemplated by DISC can be classified into four main categories or classes as follows:

CLASS A

Certain important products fall into a bulk or commodity type having few. if any, special characteristics upon which a premium price can be justified. This means that in cases where competitors have an advantage such as labor cost, lower freight cost, or tax rebate, it is frequently impossible for a U.S. producer to meet their delivered price and still earn an adequate net return. As a result, export volume suffers. A rough quantitative example of how this tends to work in terms of effect on net return is as follows:

	To earn necessary return without DISC	To meet competition	
		Without DISC	With DISC
	(1)	(2)	(3)
Unit selling price	$1.00	$0.95	$0.95
Profit before tax	.12	.075	.075
Income tax	.06	.0375	.0187
Profit after tax	.06	.0375	.0553
Net return on sales (percent)	6	3.9	5.9

Union Carbide must price products in this class at an average unit price equivalent to $1.00 (a fictitious level, used for illustrative purposes only) in order to equal the average percentage net return on sales (6 percent) earned by Union Carbide in 1969. Since major segments of our business today require almost $2 of new capital investment to produce $1 of increased annual sales, we are naturally reluctant to dilute average overall return on sales by going below about a 6 percent net return after tax on individual export transactions.

If foreign competition is willing to set a price equivalent to 95¢ per unit for these products, as is increasingly the case, then Column 2 above shows that to meet this competition without DISC, we must accept a new return of only 3.7 percent, which normally cannot be justified. With DISC, however, as can be seen from Column 3, we could meet competition under these circumstances and still come close to achieving the required net return.

Five of Union Carbide's major product groups fall into Class A and account for 13 percent of the Corporation's total exports. Taking into consideration actual competitive prices in major overseas markets, and assuming that price relationships on the average will remain relatively the same over the next 10 years, we have analyzed and projected in detail the effect which DISC should have on existing sales volume of individual products. This analysis assumes average pricing policy as set forth under Column 3 and covers business which we are not now obtaining, that is, sales over and above those which we are currently able to obtain under the conditions of Column 1. On this basis, the overall export improvement due to DISC for Class A is estimated to increase from $1 million in the first year to $19 million in the 10th year, or a cumulative increase of $85 million totaled over the 10-year period.

CLASS B

There is another group of products with respect to which we do not feel that any change in pricing policy would be significantly productive as far as improvement in net return is concerned, nor would potential improvement in such return presently justify risking increased selling and promotional expenditures in order to expand export volume. However, if DISC were available in these cases, the effect could be to permit an increase in selling effort sufficient to produce a significant increase in export market penetration, together with a satisfactory net return. An example of this type of case, on a pro forma illustrative basis, is as follows:

	Present	With increased sales effort	
		Without DISC	With DISC
Unit selling price	$1.00	$1.00	$1.00
Production cost	.79	.77	.77
Overhead	.12	.15	.15
Profit before tax	.09	.08	.08
Income tax	.045	.04	.02
Profit after tax	.045	.04	.06
Net return on sales (percent)	4.5	4	6

For products in this class, export volume could be expanded by increasing selling and promotional expenditures, but the overall effect without DISC could actually be a reduction in net return on sales. However, with DISC we could absorb the same increase in selling and promotional expense, produce the same volume improvement, and show an ecceptable net return.

Class B products currently account for about 10 percent of Union Carbide's export volume, and involve five major product groups to which this effect could be expected to apply (on the average). Extending the unit principle to overall volume, our projections indicate that with DISC, export sales improvement in Class B products could range from about $700,000 in the first year to $15,000,000 in the 10th year, or a cumulative export increase of $65,000,000 totaled over the 10-year period.

CLASS C

From a practical marketing standpoint, it would be feasible under DISC to follow a strategy which would in effect be a combination of A and B—to meet competitive prices on a selected or limited basis, and at the same time to increase selling and promotional effort in some degree but not as intensively as in Class B. Our study shows that the largest proportion of our major products subject to stimulation by DISC (9 product groups) would probably fall into this Class C. They account for about 23 percent of Union Carbide's total exports. By applying the principles set forth in Classes A and B, our projections indicate that the expansion of exports of products in Class C under the DISC concept could amount to $1,600,000 in the first year, increasing to $36,000,000 in the 10th year, or a cumulative improvement of $157,000,000 of export sales over the 10-year period.

CLASS D

Finally, there are other products, accounting for about 9 percent of Union Carbide's exports, which are currently limited in export volume not because of competitive price or promotional considerations, but primarily because of limits in U.S. production capacity. The relatively lower net return on exports requires a preference for domestic business in allocating the available product. The higher costs of export sales, which result from effect of duties, border taxes and other non-tariff barriers, and longer freight hauls, can make export sales marginally attractive as compared with either domestic or overseas production, unless compensated for by price or tax considerations. These reasons often force business to make manufacturing investments overseas in order to avoid losing position in foreign markets previously developed through export sales. The relative influences on this Class of product can be looked upon as operating as follows:

	Domestic production	Overseas production	Export	
			No DISC	With DISC
Unit selling price	[1] 1.00	[1] 1.00	[2] 1.05	[2] 1.05
Net back	1.00	1.00	.91	.91
Production cost	.71	.77	.71	[3] .70
Overhead	.14	.11	.14	.14
Profit before tax	.15	.12	.06	.07
Income tax	.075	.06	.03	.0175
Profit after tax	.075	.06	.03	.0525
Net return on sales (percent)	7.5	6.0	2.9	5.0

[1] Free on board.
[2] At foreign border, duty paid.
[3] Incrementally lower owing to potential increased volume.

From the above tabulation which is typical of the product groups in this Class, it will be seen that net return on exports now is marginal, as a result of which both domestic business and overseas production will be favored, thereby limiting export. Furthermore, when expansion is necessary to take care of overseas markets, foreign facilities may have to be favored under present conditions. However, if DISC were in effect, the net return relationship on export sales improves markedly. Under these conditions, when overseas market requirements increase, serious consideration could be given to expanding domestic facilities for the specific purpose of supplying this demand by export rather than expanding overseas or letting it go to competition. Also, as far as allocation of available domestic production is concerned pending expansion, export would benefit because the justification for discrimination against export in favor of domestic business would become minimal.

Our analysis indicates that there are four major product groups that could fall into this category under DISC. In that event, there could be an improvement in export volume amounting to about $700,000 in the first year and rising to $14,000,000 in the 10th year, or an increase of the order of magnitude of $63,000,000 on a cumulative basis over the 10-year period.

SUMMARY

Enactment of the DISC proposal would significantly improve export sales of 23 major product groups in varying degrees, as set forth under Classes A, B, C, and D. These groups currently account for about 55 percent of the Corporation's total exports of $235,000,000 for 1970. Table I shows the projected extra growth accumulated over 10 years which could be obtained by these product groups given the benefits offered by the DISC Proposal.

As shown in Table I, our estimates indicate that, with DISC, Union Carbide should be able to do $370,000,000 more export business over the next ten years than we currently anticipate.

TABLE I.—ESTIMATED EXPORT SALES OF UCC PRODUCT GROUPS CONSIDERED EXPANDABLE BY DISC (55 PERCENT OF TOTAL EXPORTS)

[In millions]

Year after DISC effect ve	Volume at historical growth rate of 7.5 percent [1] (no DISC)	Volume at 10.5 percent [1] growth rate under DISC	Difference
1st	[2] 139	143	4
2d	149	158	9
3d	160	175	15
4th	172	193	21
5th	185	213	28
6th	199	235	36
7th	214	260	46
8th	230	287	57
9th	247	317	70
10th	266	350	84
Total	1,961	2,331	+370

[1] Compounded annually.
[2] 55 percent of estimated 1970 exports, increased by 7.5 percent.

U.S. SENATE,
COMMITTEE ON LABOR AND PUBLIC WELFARE,
Washington, D.C., October 14, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: Mr. Frank R. Stevenson, Chairman of the Board of the Vermont Marble Company, headquartered in Proctor, Vermont, has written to me expressing very great concern over the adverse effect on Vermarco of marble imports from abroad, particularly from Italy. This 100-year-old company has long been a major employer in our state, and in addition has ten branch offices as far removed from Vermont as Houston, Texas, and Los Angeles, California.

During the last eight years, Vermarco has been obliged to close five different finishing plants throughout the United States because of the influence of marble imports from Europe.

I realize at the present time that your Committee is holding hearings on the Trade Act of 1970. The comments of Mr. Stevenson and Mr. F. Ray Keyser, President of Vermarco, go directly to the provisions of that legislation. They are particularly important, I think, for your Committee to consider when it holds executive sessions on this legislation.

In addition to this letter which is self-explanatory, I have also attached a "statement" which includes several paragraphs taken from a speech which Mr. Stevenson made on August 16th at Proctor, Vermont, celebrating the centennial year of Vermont Marble Company. Those two paragraphs, I think, are also equally important to be considered by your Committee.*

I hope very much that this information will be of help to you and the other members of your Committee as you consider the Trade Act of 1970.

Sincerely,

WINSTON PROUTY,
U.S. Senator.

*Mr. Stevenson's entire speech is printed. The portions referred to by Senator Prouty are italicized.

(The following letter with attachment was forwarded to the committee by Hon. George D. Aiken and Hon. Winston L. Prouty, U.S. Senators from the State of Vermont:)

VERMONT MARBLE COMPANY,
Proctor, Vt., October 7, 1970.

DEAR SENATOR: There is attached a copy of Mr. Stevenson's remarks delivered August 16, 1970, our Centennial Day observance of the founding of the Vermont Marble Company. You will note the reference to the serious situation in the marble industry due to the importation of foreign finished building marble under our liberal foreign trade policy. The present tariff is so unrealistic in relation to comparative labor costs between the United States and foreign producing countries as to create a 30 to 40% price advantage in favor of foreign finished marble. There is no way to compete under those market conditions.

The pending Trade Act of 1970 (H.R. 18970), if passed, will give the President authority to amend the tariff or set quotas to reestablish a competitive market for an industry now being forced out of business by the importation of foreign finished marble. We urge you to actively work for passage of this legislation.

We specifically call your attention to the serious position of our Company largely due to the present trade policy. During the past nine years our company's marble operations in Vermont have shown the following downward trend:

	1961	1969
Total employees	898	540
Quarries operated	7	3
Gang saws operated	62	40
Finishing plants	2	1
Cubic feet shipped	303,633	220,224

During the same period we have been forced to close all marble finishing plants outside of Vermont as follows:

Knoxville, Tenn	200
San Francisco, Calif	50
Dallas, Texas	35
Remington, Indiana	30
Houston, Texas	15
Total	330

Operating and liquidating loss, $3,775,000.

The Marble Institution of America shows the following changes in the foreign versus domestic building marble purchases in the United States as reported to them, viz.:

	1960	1969
Domestic marble, total	$18,544,732	$14,940,948
Foreign marble, rough state	2,244,682	1,162,580
Foreign marble, finished state	8,011,745	15,486,293

While the above covers M.I.A. reporting sources only, it establishes the decline in the domestic sales of marble with a substantial increase in the importation of foreign finished marble. The trend is accelerating.

A recent analysis of major building projects in the U.S. today has led us to one conclusion—the situation becomes more and more critical each day. Since our Centennial celebration, August 16, 1970, we have not replaced 50 employees terminated through attrition and layoff. Our backlog for domestic finished marble is dropping rapidly. Further layoffs and early retirements are planned before the end of the year.

Our Los Angeles Sales office was closed July 1, 1970 and San Francisco and Dallas Sales offices will be closed by January 1, 1971, due to lack of domestic orders, ironically at a time when construction and the use of marble is at a high point in our economy—finished abroad.

Unless governmental action is taken to restore a competitive market place for the domestic marble industry, there will be no domestic marble business, a business we have been in continuously for 100 years, creating edifices to the history of the United States, such as Jefferson Memorial, Lincoln Memorial, Supreme Court Building and many others.

Such an event will result in over one-half of our people losing their jobs in our Company alone, many at an age when they cannot train for other work. It will greatly affect the economy of our community, Rutland County and the entire State of Vermont, not to mention the thousands of dollars lost in taxes to the area and our loss in machinery, buildings and equipment. The same result will occur in other marble-producing areas in our country.

We ask that you consider the seriousness of our statements to you, support H.R. 18970 and put on the records of Congress the loss of jobs, the idling of machinery, buildings and equipment and the loss to the country due to allowing the importation of foreign finished marble with a dominating price advantage. A competitive market must be created by tariff action or a quota system established to alter the inevitable.

The Vermont Marble Company and the marble industry are small in the scheme of American business, we hope not forgotten.

Sincerely,

F. Ray Keyser, Jr.,
President,
Frank R. Stevenson,
Chairman of the Board.

Centennial Day Address, August 16, 1970, by F. R. Stevenson, President, Vermont Marble Co., Proctor, Vt.

Governor Davis, Senator and Mrs. Prouty, Congressman and Mrs. Stafford, distinguished guests, visitors, and fellow employees and your families.

Today is the greatest moment in the modern history of the Vermont Marble Company. At no time in the past 50 years of our operation have we been so honored. On behalf of the company I want to thank you from the bottom of my heart for participating and sharing with us this celebration of our centennial. We have many good reasons to be proud of this achievement of reaching our 100th anniversary. For one thing, the anniversary is a personal compliment to all of you connected with us—nationally, statewide and regionwide—and particularly our employees as you have kept the company going and moving ahead through all these years. The company's employees since the beginning have been native New Englanders plus people from many nations of 1st, 2nd and 3rd generations. The blend has given us a most dedicated force. We salute you today—past, present, and future. Also, the centennial stands as proof of the company's enduring ability to cope with the vagaries of war, recession, political turmoil, fierce competition and even the self-satisfaction of success. We, therefore, stand before you with a feeling of pride in representing those who founded the company and have brought it to this point in its history.

It strikes me there is still another significant point about corporate maturity. Unlike an individual, a company has the power to keep its youth and vigor undiminished by age. Therefore, once the habit of leadership has been acquired and welded into a strong tradition, that habit is likely to be perpetuated through successive generations that catch the spark and carry it on. We have been a leader in our industry and we intend to continue in that role.

Those of you who are familiar with the history of our company know that it was Colonel Redfield Proctor who came to this area in 1870 and brought together several small dissenting marble companies into the beginning of what we know today as the Vermont Marble Company. In the year 1870, he founded the Sutherland Falls Marble Company. Just behind you a few hundred feet on Otter Creek is the location of Sutherland Falls which today is furnishing power for our operations as it did for the small company founded 100 years ago by Colonel Proctor.

In those early days, the principal product of this company was marble memorials. Under Colonel Proctor's guidance the company prospered and expanded. By 1880 his business acumen became so obvious to a competitive marble firm in Rutland that he was invited to take over their management as well. That event lead in 1880 to the formation of the Vermont Marble Company, comprised of the Sutherland Falls Marble Company and the Rutland Marble Company. Before the turn of the century, the company had grown to a position of leadership in the industry and had added building work to its monumental line. Dimension stone was soon being shipped all over the United States. The last acquisition of that period was the Rutland-Florence Marble Company which operated in West Rutland and Florence. During this formative period, all the necessary facilities for maintaining a company of this size in a rural and mountainous area were planned and developed under Colonel Proctor's direction. These included the Clarendon and Pittsford Railroad with 25 miles of main line, which is still in operation today; a company store, and housing for a great many of its employees. Colonel Proctor also organized a hospital and provided accident insurance for employees. Later, during the first part of the 20th century, the famous Imperial Quarry at Danby, Vermont was acquired and developed. The Thomas Jefferson Memorial and the Supreme Court Building in Washington are but two of the many monumental structures built of Danby Marble which grace the large cities of our nation. The hydroelectric generating stations along Otter Creek were also developed during that period.

It was also during the first 50 years that members of the Proctor Family and other representatives of the company were prominent in local, State, and national governmental affairs, holding important offices of public trust. It was just to the right, about 300 feet, where Colonel Proctor's home was located and long since dismantled, where United States Presidents, Harrison and McKinley visited, spent the night, and conferred with Colonel Redfield Proctor. Later President Theodore Roosevelt also visited there with Colonel Proctor.

These were proud years, our first half century.

Early in our second half century, architectural and memorial styles began to change drastically. As a result, veneer type buildings and smaller memorials became popular. This substantially reduced the volume of marble shipped out of Proctor from a high point of 600,000 cubic feet to approximately 200,000 in 1969. It was early in the 1900s that the management of the company began to think of diversification. The first attempt was that of burning scrap marble, unfit for memorials or buildings, into quick-lime. A plan operation was started in West Rutland in 1915 and this was changed over to dry grinding in 1945. At the outset of World War II, our company converted 85% of its personnel to war related production by manufacturing equipment for a number of prime contractors engaged in defense work. The success was astounding. Our talented employees, who had developed their skills on marble for buildings and memorial purposes, found that they could grind metal to 1/1000 of an inch tolerance, assemble intricate machinery and prepare parts which went into the great complex of equipment for manufacturing the first atomic bomb. The company's efforts were commended through the award of the Army and Navy "E" for excellence. This performance proved that the knowledge, talent and fortitude that had brought us from 1870 to 1945 was still prevalent and that we could resume our posture in a peacetime economy with pride and confidence.

During the latter phases of World War II, our company became an affiliate in founding the White Pigment Corporation which grinds marble to atom-like sizes. We continued our interest in the manufacture of machinery and expanded it considerably with the acquisition of the Callahan Can Machinery Company in 1955. Callahan Can manufactured machines for making cylindrical cans and later, in 1964, the Max AMS Machinery Company was also acquired. Max AMS designed and built machinery for producing rectangular type cans, as well as other machinery for producing containers for the food and beverage industry.

In the early sixties, the style of architect changed again calling for even thinner applications of marble. The memorial business became more restrictive and we began to feel the first impact of freer world trade through the inroads of foreign finished marble, principally from Italy. This free trade policy of our Nation has brought the domestic marble industry to less than one half of its previous size and has forced our company in particular to close plants in Knoxville, Houston, Dallas, San Francisco, Peterborough, Ontario, and Center Rutland, Vermont. The closing of these plants made useless, other than for scrap, thousands upon thousands of dollars' worth of machinery and equipment not to mention the few hundred employees who found it necessary to go into other fields of work, and some of these in their later useful years of life. Protest to the proper agencies of our Government, supported by our distinguished Members of the

Senate and Congress, have not brought any relief. At the same time that we have been closing our plants and quarries in the United States and Canada, the European fabricators have been expanding at our expense. Our leaders in Government are now, however, taking a more serious look at the tariff situation as it affects industries other than ours all over the United States. Hopefully, there will be legislation in the near future that will give us relief.

However, it has not been the tradition of our company to stand still and await developments. We are today opening a new crushing and coarse grinding plant at Florence, Vermont. This plant is quite sophisticated and will produce products at a higher rate at less cost, and also at a greater volume than at any time heretofore in our history. Two years ago, the White Pigment Corporation opened a new plant at New Haven, Vermont, and this facility, along with their original plant in Florence, Vermont, is supplying very finely ground products for pigments, fillers, and extenders in many, many different types of products.

This past year, our Callahan AMS division had grown to the point where a West Coast plant to take care of our needs in that area was considered desirable. The Gregory Manufacturing Company of Modesto, California was therefore acquired. We are now producing can-making equipment, spare parts, and reconditioning used machinery at this plant. This new facility is already generating new business for us in the "vegetable bowl" of our United States. Also, in 1969, we acquired the Vermont Talc Company of Chester, Vermont, where we have a mine and processing facilities producing talc for industrial use. We will be improving these facilities so that cosmetic-type talc can be produced in the next few years.

At the same time we have completed modernization of our marble quarrying and fabricating facilities in Vermont and we are now shipping more than 200,000 cubic feet annually from our Proctor plant for memorial and structural use. We now offer our products in new forms to keep pace with the market demands and our sales people use rapid travel and communications to cover the nation and Canada. This division along with others, including power, subsidiaries in Canada and Indiana, make our company a mini-conglomerate and we certainly hope that all divisions of our company will continue to thrive and expand as we start our next 100 years.

I am sure that if Colonel Proctor and the officers who have followed in his footsteps through the years, could witness their company as it exists today, that they would indeed take pride in the manner in which the people of our time have changed the company to meet today's needs. We have a young organization. We have a talented organization. Our craftsmen are skilled, dedicated and productive. We look to the future with courage and confidence, secure in the knowledge that we will carry on in the traditions set forth by our founder, of sound and forward-looking business management, and good corporate citizenship.

TELEGRAM

NEW YORK, N.Y., *October 9, 1970.*

Senator RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.:

Have just heard that your Committee on Finance may be holding hearings of some sort Friday morning October 9 on HR 18970. Have been unable to get a clear picture of the nature of these hearings but if your committee is discussing this bill the U.S. council urgently requests that its views receive full consideration.

We believe that enactment of this bill would invite strong retaliation on the part of our trading partners, would accordingly be injurious to America's highly efficient export industries, and could all too well lead to a disastrous trade war among the world's highly industrialized counties, a trade war in which everyone would lose. We would accordingly urge that HR 18970 be withdrawn and that the President's original trade bill, HR 14870, be substituted for it. Our reasons for suporting the President's bill and for opposing HR 18970 are spelled out in detail in our testimony before the House Ways and Means Committee. There have been newspaper reports that there is a move within your committee to attach HR 18970 to pending social security legislation. The U.S. Council would strongly protest such a maneuver, which would have the effect of eliminating close public and legislative scrutiny through public hearings of the trade issue raised. This entire subject is of major importance to the international business community and should be considered on its own merits rather than as an appendage to a totally unrelated bill. We hope your committee will avoid the use of such a maneuver, which in our judgment would be unfair to American business.

WILLIS C. ARMSTRONG,
President, U.S. Council of the International Chamber of Commerce.

AMERICAN APPAREL MANUFACTURERS ASSOCIATION,
Washington, D.C., October 12, 1970.

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee,
New Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: On behalf of the American Apparel Manufacturers Association, may I submit for the record of the Senate Finance Committee, in connection with its hearings on H.R. 18970, the Trade Act of 1970, the attached statement submitted by the Association to the House Ways and Means Committee on May 20, 1970. We respectfully request that this statement, together with my letter, be included in your hearing record.

This Association is in support of H.R. 18970. Between the time the attached statement was presented before the House Ways and Means Committee and now, there have been significant increases in imports of apparel products. All of this increase has been in man-made fiber apparel. The trend is to the use of more and more man-made fiber products in the manufacture of apparel, both woven and knit garments.

We consider it urgent that the pending legislation now before the Senate Finance Committee be enacted without further delay. Continued existence of a viable apparel industry—contributing directly to the welfare of 1.4 million employees and indirectly to at least another million—depends on the outcome of this legislation.

The Long-Term Cotton Textile Arrangement, while effective in the cotton area, obviously cannot be effective in a market dominated by man-made fiber apparel imports.

The table attached to this statement—which I also request be included in the Committee record—shows clearly that imports of apparel products are increasing rapidly. Apparel imports have doubled in the past four years. In the first eight months of 1970, cotton, wool and man-made fiber imports reached a level almost equal to that for all of 1968. Also, in this same eight-month period, total man-made fiber apparel imports are greater than the total imports of man-made fiber apparel for the years 1965, 1966 and 1967 combined—735 million square yards equivalent Vs. 733 million square yards equivalent. By the end of 1970, man-made fiber apparel imports will reach double the level of such imports in 1968.

Time is running out. It will not take long before this industry and others in the apparel/textile complex providing one in every eight manufacturing jobs will be in a severe and probably irreversible economic decline as imports grow. Legislation is necessary. No one agreement with any one Country will solve this problem.

We are not asking that the following two items be made a part of the record but, as a matter of information, we attach:

1. An AAMA publication, "The Apparel Import Crisis."
2. The AAMA "Apparel Import Digest" for September 1970.[1]

Thank you for your courtesw in making this letter and the enclosures cited a part of the hearing record.

Sincerely,

ELLIS E. MEREDITH,
Executive Vice President.

Enclosures (4).

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[1] These items were made part of the official files of the committee.

U.S. IMPORTS OF APPAREL PRODUCTS—1965-70

[Millions of square yard equivalent]

Year	Cotton	Wool	Manmade fibers	Total
1965	457	68	160	685
1966	485	63	230	778
1967	475	59	343	877
1968	515	80	558	1,153
1969	525	81	915	1,521
January to August 1969	382	48	620	1,050
January to August 1970	335	45	735	1,115
Percent of change	−12	−6	+19	+6

STATEMENT ON BEHALF OF THE AMERICAN APPAREL MANUFACTURERS ASSOCIATION BY WILLIAM S. FLANAGAN, VICE PRESIDENT, GENESCO, INC., BEFORE THE COMMITTEE ON WAYS AND MEANS, MAY 20, 1970

INTRODUCTION

Mr. Chairman and Members of the Committee, my name is William S. Flanagan, and I am a Vice President of Genesco, Inc., headquartered in Nashville, Tennessee, and I serve on the Board of Directors and Executive Committee of the American Apparel Manufacturers Association, located in Washington, D.C. It is on behalf of the American Apparel Manufacturers Association (AAMA) that I am testifying before you today. I am accompanied by Ellis E. Meredith, Executive Vice President of AAMA, Carl Priestland of Priestland Associates, Alexandria, Virginia, Economic Consultants to AAMA, and H. W. Brawley, Vice President of Genesco, Inc.

The American Apparel Manufacturers Association represents approximately 50% of the $16.8 billion annual domestic sales of apparel at manufacturers' prices—a volume substantially in excess of that represented by any other apparel trade association. The Association's members are located in 43 States where they produce all types of wearing apparel for men, women and children, knit and woven, from high fashion to staple goods. We estimate that more than 600,000 people are employed by Association members. A complete listing of the Association's membership has been submitted separately to the staff of the Committee so that it will be available for your reference if required.

AAMA strongly supports H.R. 16920 and, although H.R. 16920 affects the entire apparel/textile complex (as defined in the bill), the leather footwear industry and various aspects of the 1962 Trade Expansion Act, I will be limiting my comments today to the apparel import problem and the need for prompt, favorable consideration of H.R. 16920 if the domestic apparel industry is to remain the vital factor in our economy which it is today.

CONGRESS, THE LAST HOPE

For approximately 14 months—from the time the present Administration took office until March 9, 1970—our domestic apparel industry had hoped this Administration's strenuous efforts to obtain a voluntary agreement with the major exporters of apparel products to this Country would be successful. However, on March 9, 1970, any further prospects for meaningful voluntary negotiations were completely and finally destroyed by the Aide-Memoire of that date from the Japanese government to the government of the United States. I feel certain that you, Mr. Chairman, and the Memebers of this Committee are thoroughly familiar with that document and the finality and abruptness with which it terminated any further prospects for a voluntary settlement to this problem.

It now appears clear to our industry that only prompt Congressional action such as that embodied in H.R. 16920 can save the domestic apparel industry from ultimate liquidation.

THE ALTERNATIVE TO CONGRESSIONAL ACTION

Speaking now from direct personal knowledge, Mr. Chairman, I can tell you and the Members of this Committee that I know a number of the major apparel producers in this Country have developed plans on an "if needed basis" for the gradual phasing out of domestic production which is to be replaced by off-shore production. Based on this knowledge, I must assume there are few, if any, major domestic producers who do not have or contemplate such a plan if there is no relief in sight for this problem of such overriding magnitude.

I am sure you can appreciate the grave reluctance with which these producers would view the necessity of such a far-reaching decision. On the other hand, they obviously feel an overriding obligation to survive, preferably as manufacturers and marketers but, if need be, as marketers alone.

At the present time, most off-shore apparel production is foreign-owned, but that situation will change drastically, I predict, unless meaningful import relief is forthcoming soon. Our industry is all too aware of its present vulnerability as more and more major retail buying complexes develop off-shore apparel sources. We are now more resigned than ever before to the need that, wherever possible, those sources in the future be owned or controlled by American manufacturers if our domestic producers are to survive in some form.

Teams of top executives from many major domestic apparel producers have already spent considerable time abroad. Other teams are abroad at the present time and still more companies are planning exhaustive investigations of overseas production possibilities. Well thought out, well organized, detailed plans and projects are ready to be set into motion. Reluctantly, we are being forced to investigate where to locate our plants; we are learning the costs of labor and other services and materials; we are learning how to become productive in the shortest period of time.

This is in no sense intended as a threat, Mr. Chairman, but merely as a statement of what we believe to be the facts. I stress these facts now because I think it essential for Congress to have this serious prospect in mind as it examines the National trade policy with respect to this industry. It may be that Congress will conclude it is not in the best interests of the United States to keep the domestic apparel industry a factor of economic consequence in the United States. A decision not to act favorably on H.R. 16920 would certainly suggest such a conclusion to us.

If, however, that is to be the decision we believe it important to bear the following facts in mind concerning the probable impact of such a development on our National economy.

PRÉ-CIS OF THE DOMESTIC APPAREL INDUSTRY

Apparel is one of our most vital industries because of its broad contribution to our economy. The industry is wide-spread in its influence as an employer, as a customer, and as a supplier of goods.

As an employer, the apparel industry ranks sixth among all manufacturing industries in the United States. One out of every 14 production workers is an apparel production worker. Approximately 1.5 million apparel workers are employed in 21,300 plants throughout the 50 States of this Nation.

Aside from the impressive size of the apparel labor force, its make-up is of considerable importance to our economy. The industry is a major employer of women and of unskilled and semi-skilled workers. The apparel industry is one of the few domestic industries which provide substantial numbers of manufacturing jobs for those people in our labor force who traditionally have high unemployment rates and who are classified as hard to employ.

In rural areas, such as Appalachia and in the Southeastern States, apparel companies are situated in small towns and often are the only manufacturing industry in the town. If the apparel plant closes down, the employees working there have no jobs, no income, and no place to get another job. Because of family circumstances, most of these workers are unable to relocate.

The skill level of workers in the apparel industry need not be very high when the workers enter the industry. We do a considerable amount of on-the-job training of our workers. This means that apparel plants have consistently been able to take on large numbers of workers who would not be employable in other industries where they would have to bring their skills onto the job.

51-389—70—pt. 2——18

Because our plants are located throughout the Nation, we are able to draw on labor in both rural and urban areas. I have already mentioned the employment of workers in rural areas. The apparel industry also employs men and women of all skill levels and of all racial backgrounds in the largest cities in the Nation. We are an important source of employment for people in our cities. In recent years, the employment of nonwhites has been proportionately greater in apparel than in manufacturing generally. Nonwhite employment in the apparel industry in the first quarter of 1969 was 27% higher than the figure for all manufacturing (13.5% compared with 10.6%). Still greater progress in this area was made in the balance of 1969.

Apparel workers earned a total payroll of approximately $5.5 billion in 1969. This means they are able to buy the goods of their own and of all other industries, to be consumers of our gross national product in a major way. If apparel workers are forced out of their jobs by imports, the retailers in small towns where the apparel plant is the principal place of employment and in large cities with concentrations of apparel workers would find their sales declining significantly.

The apparel industry itself is an important consumer of goods and services produced in the United States economy. The apparel industry in this Country is the single largest customer of the American textile industry. American apparel manufacturers purchase over 40% of the output of the United States textile industry. We estimate that the apparel industry purchased about $10 billion all told in goods and services, excluding labor, in 1969. A loss of purchasing power in this magnitude would have a devastating effect on our economy.

The apparel industry is also a training ground for people with low skill levels, as I have mentioned above. Employment in the apparel industry can be used as a stepping stone into productive employment by those who have had a chance to start with us and learn certain basic job skills. We take on people who have no basic orientation to employment in general. Getting to work on time, reporting every day, working a full day's work, getting regular pay checks are new experiences for many of the workers we employ, especially in the cities. We are able to give them an opportunity for regular employment which brings with it many benefits to the individual and to society. If we have to stop hiring these people in the future because imports further disrupt our markets, society as a whole will suffer, since there are few or no other industries able to take over this important task.

In summary then:

1. Apparel industry employment was 1,413,000 during December 1969. This is 7.0% of total manufacturing employment.

2. The apparel industry ranks 6th in total employment in the manufacturing sector of the economy.

3. Because the apparel industry is labor-intensive, the industry ranks 4th in the number of production workers in manufacturing. The number of production workers as of December 1969 was 1,241,000—8.5% of total production workers in manufacturing.

4. The apparel industry employs one of every five women employed in the manufacturing sector.

5. Employment of women as of October 1969 was 1,151,000—19.8% of the 5,802,000 women employed in manufacturing.

6. Women make up 81% of the total apparel labor force.

7. There are 42 States in which apparel employment is 1,500 or more.

8. In 16 States apparel employment is one of the top three employers in the State.

9. In 10 States apparel employment is 10% or more of total manufacturing employment of the State.

10. Apparel employment is no longer centered in the New York, New Jersey, Pennsylvania area. Each of the following States has at least 40,000 people working in the apparel industry: California, Georgia, Alabama, Massachusetts, North Carolina, South Carolina, Tennessee and Texas.

Attached to this statement are four tables which further illustrate the extensive economic contributions made by this key manufacturing industry.

DIMENSIONS OF THE PROBLEM

When cotton held a more dominant position in the apparel industry in the early 1960's, the U.S. Government responded to the injury being done the apparel and textile complex by initiating the Long Term Cotton Textile Arrangement to help regulate international trade in cotton products. This Arrangement had the effect of creating orderly trade throughout the world for cotton apparel and textile products, and that effect has been a salutory one for developed and undeveloped nations alike.

Unfortunately, the emphasis in international trade of our products is no longer on cotton, and the change in trade has been apparent for some time now. International trade in apparel and textile products is quite responsive to changes in our domestic markets, and man-made fibers have been coming into the United States in increasing amounts throughout the 1960's. Man-made fiber apparel products are now the most important type of apparel imports in terms of yardage, and they have held this position since May of 1968.

The unchecked growth of imported apparel into United States markets has caused disruption to apparel manufacturers throughout the 1960's. As more and more man-made fiber apparel products enter our ports we feel at an even greater disadvantage than when cotton products were arriving in such large quantities. In the case of foreign-produced cotton goods, at least we knew they would come to the United States in agreed upon quantities with a specific growth factor each year. It is true that cotton apparel imports exceeded the agreed upon amounts during the early 1960's, but regulation of some part of this gave domestic apparel makers at least some idea from year to year of their import competition.

However, we are now confronted with masses of unregulated man-made and woolen apparel imports. These imports can come into this Country at any given rate. The chief sources of apparel imports into this Country are Japan, Hong Kong, Korea and Taiwan. These four countries ship us 81% of our total apparel imports, with all other countries accounting for only 19% of our imports (Chart 1). There is an important reason why these countries are our main sources of imported apparel and why we in the American apparel industry find competition from imports so difficult to compete with.

The principal reason that imported apparel products are less expensive than similar domestically produced items is that the wage rate in these four countries (and in most of the other countries shipping apparel to us) is significantly lower than it is in our Country. The average hourly wage of American apparel workers in 1969 was $2.31. Comparable workers in Japan earned 39¢ per hour, in Hong Kong 26¢ per hour, in Taiwan 15¢ per hour, and in Korea only 9¢ per hour (Chart 2). Similar wage levels prevail in the textile segments of these countries so that material costs are correspondingly lower than in the United States.

Labor is a very important ingredient in the production of all types of apparel. United States and foreign apparel workers are given approximately the same types of machines to work with so that technology and machinery differences are minimal. The differences in output between United States and foreign apparel workers cannot be measured by the differences in their wage scales. Rather, the differences in their wage scales must be measured by the differences in their standards of living. And it is this which makes the price charged for imported apparel in American retail stores less than for a similar product made right here in this Country. Foreign apparel manufacturers, sometimes aided materially by direct subsidies from their governments, are able to pay so little for the labor which goes into each garment that they can sell the product at a favorable price, even when including shipping charges, tariffs, importers fees and profits.

Output per man hour in places such as Japan and Hong Kong is not much less than in the United States. But the working conditions of the apparel workers are obviously not so favorable as in this Country since the standard of living in these and other apparel-supplying countries is much lower than our own. The industry cannot lower the standard of living for American apparel workers in order to become competitive in terms of price with imported apparel. On the other hand, the standard of living of our apparel workers will be lowered if they lose their jobs to imports.

The quality and style of apparel imported into this Country compares favorably with domestically produced garments most of the time. Early in the 1960's there was a lot of low quality apparel shipped to us. But foreign producers have improved their machines and production methods, and have made it a point to produce goods acceptable to the American people. When permanent-press apparel became important in our markets, for instance, curing ovens for making permanent-press garments were shipped by air express to Hong Kong so producers there could stay technically competent to serve our markets.

The only way we currently try to limit apparel imports of other than cotton is with low tariff rates. Almost all other countries have various types of non-tariff barriers to the importation of apparel, including American-produced apparel. During the Kennedy Round of tariff reductions, the tariffs on apparel went down and non-tariff barriers went up in other countries. Increased exports of United States-produced apparel are no solution to the imbalance of trade caused by our apparel trade. It is not possible for most American apparel producers to get their goods into other countries. Since they are effectively barred, there is little chance for sale of our goods in most overseas markets.

It is, therefore, hardly surprising that apparel imports are a very significant factor in the United States balance of payments problem. Apparel imports were $956 million last year, while exports were only $151 million. This means a deficit in apparel trade alone of $807 million. The deficit in apparel trade, in fact, equals 82% of the $980 million deficit in trade of cotton, wool, and man-made fiber textile and apparel products.

Let me just briefly show you and describe to you the growth in imports of our products during the 1960's.

In 1962 a total of 447 million square yards equivalent (SYE) of cotton, wool, and man-made fiber apparel were imported into the United States. By 1968, only six years later, this amount had more than doubled, and imports of apparel stood at 1,153 million SYE. The very next year, 1969, cotton, wool, and man-made fiber apparel imports reached over three times the 1962 level, rising to the astonishing figure of 1,520 million SYE (Chart 3).

The tremendous increase in imports of man-made fiber apparel is clearly illustrated in this chart. These imports rose from 49 million SYE in 1962 to 915 million SYE in 1969, an increase of 1,767%. It is evident that imports can change rapidly if unchecked when a change in demand dictates. The growth in cotton and wool apparel imports has been much slower because, in the case of cotton, there were agreements governing these imports and because there was not as strong a demand for wool and cotton apparel during the last few years of the decade.

Although wool apparel imports are a relatively small portion of total apparel imports in terms of square yards, wool apparel imports constitute a significant portion of the dollar value of the total. In 1969, wool apparel imports accounted for 5% of the square yards of apparel imported but 27% of the dollar amount (Chart 4).

I would like to point out here that the dollar value figures for apparel imports do not reflect their true influence on domestic apparel markets, since they are reported f.o.b. the foreign port. This means the dollar value reported by the Commerce Department does not include freight and insurance, customs duties, importers' profits, commissions or overhead, or distribution costs when the goods reach our shores. The $956 million value of apparel imports reported for 1969 is not a true measure of their impact on our markets. It does not reflect the price which would be equivalent to the wholesale price of domestic apparel.

The importance of apparel imports in relation to total textile imports is illustrated in this next chart. Apparel imports constitue 42% of textile and apparel imports in terms of yardage and 59% in terms of dollar value. The reason for this difference in percentage is that there is more labor cost involved in producing items of apparel than in producing textiles (Chart 5). This very high labor content of apparel is the major reason we are experiencing so much trouble from apparel imports.

Several areas of the domestic apparel market are being hit especially hard by imports. Imports of sweaters of all fibers are equal to 72% of United States sweater production in 1969. Penetration into the markets for woven shirts, women's slacks and shorts, men's knit shirts, and men's trousers and shorts is significant when measured against domestic production (Chart 6). Because product lines are so readily interchangeable in the manufacturing process in our industry, the damage experienced by one segment of the industry can very readily be experienced, with great rapidity, by any other segment of the industry. It is for this reason that we so strongly support the total category approach to this problem which is taken by H.R. 16920 rather than the selective approach advocated by some.

THE PRICE ARGUMENT

In his statement before this Committee on May 18th, Mr. Gardner Ackley, speaking for the American Retail Federation, said:

"H.R. 16920 would raise the prices of domestically produced goods. No longer needing to fear that higher prices would lose them markets beyond the quotas, American producers could and would raise prices directly. Moreover, with a lessened spur of foreign competition, the pressure on them to become more efficient would be reduced, so that their costs, and then their prices, would tend to drift up even more."

This statement well summaries a long-standing contention of the classical free-trade economist which, stated simply, holds that foreign competition is needed to help keep prices charged by domestic manufacturers "in line." For the domestic apparel industry, probably the most competitive industry in America today, this statement is totally unjustified.

Why? Because, in essence, competition from thousands of domestic producers in all segments of this industry is so severe that foreign competition is not now, and never has been, necessary to keep prices competitive. Low profitability is a characteristic which has long been associated with apparel manufacturing. This occurs because of the very competitive nature of this extremely fragmented, high-labor content industry. The easy entry into and exit from the industry have made it attractive to those who see an opportunity to start business with small capital investment. It means that whenever there is an opportunity more innovative domestic competition steps into the industry and helps keep prices down.

To illustrate the validity of this point, may I point out that during the decade of the 1950's, a period of comparatively low apparel imports for the most part, consumer prices for apparel (less footwear) increased only 8% while the price of all consumer items increased by 24%. From 1961 to 1969, with apparel imports running at a vastly greater rate, apparel retail prices increased 22%—almost three times as much as they increased during the preceding decade. During that same nine-year period, prices of all consumer items increased 23%.

These comparisons seem to us to show quite clearly that internal domestic competition in this industry has, quite effectively, kept domestic prices for apparel at or well below the price increase rate for other consumer items—with or without high imports of our products.

As for the increases which did take place, Mr. Chairman, where did the money go? Did it go into profits after taxes for apparel manufacturers? The figures show that between 1958 and 1969, after-tax profits as a percent of sales ranged from a low of 0.9 to a high of 2.4 in the apparel industry compared with a range of from 4.1 to 5.6 for all manufacturing. Obviously, the increases did not go into the tills of apparel management.

The answer clearly lies in labor costs. While apparel prices were increasing 22% in the 1961–1969 period, hourly earnings of United States apparel workers increased by 41%, almost double the price increase. Hourly earnings of workers in all non-durable manufacturing industries went up 38% at the same time prices for all consumer items went up 23%. Wage rates, then, are the primary factor in price increases.

SUMMARY

It seems quite clear to us, Mr. Chairman and Members of the Committee, that the biggest stakes in your consideration of H.R. 16920 are the well-being and the living standards of over two million citizens employed in the apparel/textile industry and millions more in related industries.

The effects of your decision with respect to H.R. 16920 will, we think, be far-reaching indeed. We hope it will be a decision promoting the orderly sharing of our domestic apparel markets with our friends abroad. We hope you will favorably report H.R. 16920.

I am grateful for this opportunity to appear before you today and will try to answer any questions you may have concerning my statement.

TABLE 1.—U.S. MANUFACTURING EMPLOYMENT, DECEMBER 1969

[Thousands of employees]

	December 1969	Percentage distribution
Manufacturing employment, total	20,063	100.0
Durable manufacturing employment	11,793	59.7
Nondurable manufacturing employment	8,270	41.3
Top 10 manufacturing industries by total employment:		
1. Machinery (except electrical)	2,022	10.1
2. Transportation equipment	2,010	10.0
3. Electrical equipment and supplies	1,979	9.9
4. Food and kindred products	1,788	8.9
5. Fabricated metal products	1,472	7.3
6. Apparel and related products	1,413	7.0
7. Primary metal industries	1,360	6.8
8. Printing and publishing	1,109	5.5
9. Chemicals and allied products	1,049	5.2
10. Textile mill products	983	4.9
All other manufacturing industries	4,878	24.4
Manufacturing production worker employment, total	14,656	100.0
Durable manufacturing production workers	8,551	58.3
Nondurable manufacturing production workers	6,105	41.7
Top 10 manufacturing industries by production workers employment:		
1. Transportation equipment	1,413	9.6
2. Machinery (except electrical)	1,381	9.4
3. Electrical equipment and supplies	1,296	8.8
4. Apparel and related products	1,241	8.5
5. Food and kindred products	1,204	8.2
6. Fabricated metal products	1,133	7.7
7. Primary metal industries	1,088	7.4
8. Textile mill products	864	5.9
9. Printing and publishing	690	4.7
10. Chemicals and allied products	611	4.2
All other manufacturing industries	3,735	25.6

TABLE 2.—WOMEN EMPLOYMENT IN MANUFACTURING, OCTOBER 1969

[Thousands of employees]

	Women employment	Percentage distribution	Percent of women employment to total employment
Women employment in manufacturing total	5,802	100.0	29
Durable manufacturing	2,518	43.4	21
Nondurable manufacturing	3,284	56.6	39
Top 10 manufacturing industries employing women:			
1. Apparel and related products	1,151	19.8	81
2. Electrical equipment and supplies	852	14.7	41
3. Food and kindred products	500	8.6	27
4. Textile mill products	454	7.8	46
5. Printing and publishing	356	6.1	32
6. Machinery (except electrical)	302	5.2	15
7. Fabricated metal products	279	4.8	19
8. Transportation equipment	220	3.8	11
9. Chemicals and allied products	219	3.8	21
10. Miscellaneous manufacturing industries	218	3.8	47
All other manufacturing industries	1,251	21.6	

Source: Employment and Earnings, Bureau of Labor Statistics, Department of Labor.

TABLE 3.—1968 MANUFACTURING AND APPAREL EMPLOYMENT AND NUMBER OF ESTABLISHMENTS

	Number of employees (thousands)	Number of establishments	Number of establishments, by employment size-class					
			Under 20	20 to 49	50 to 99	100 to 249	250 to 499	500 or more
Total manufacturing	19,719	298,460	185,842	51,094	26,351	20,855	8,129	6,189
Apparel and related products	1,389	24,979	11,971	6,029	3,538	2,370	807	264
Percent of apparel to total	7.0	8.4	6.4	11.8	13.4	11.4	9.9	4.3

Source: County Business Patterns.

TABLE 4.—1968 MANUFACTURING AND APPAREL EMPLOYMENT AND NUMBER OF ESTABLISHMENTS, BY SELECTED STATES[1]

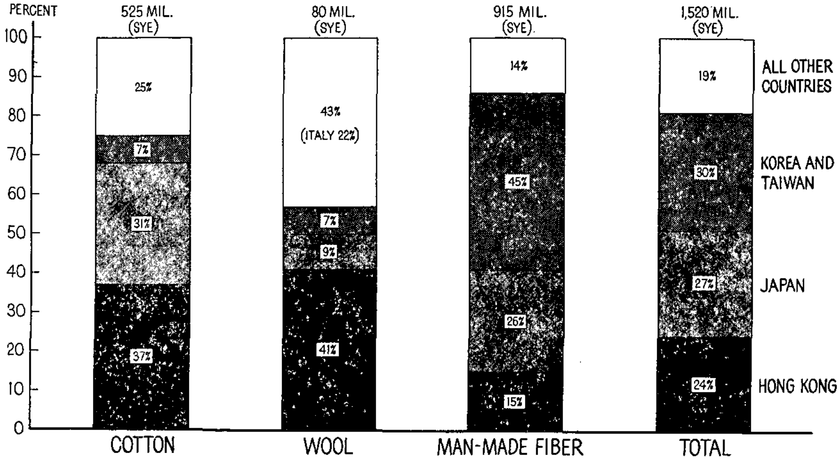
	Rank number of apparel employment to all manufacturing	Number of employees		Percent of apparel to all manufacturing	Number of establishments		Employees per establishment	
		All manufacturing	Apparel industry		All manufacturing	Apparel industry	Manufacturing	Apparel
Alabama	2	300,700	40,800	14	4,616	217	65	185
Arizona	6	81,500	4,500	6	1,547	76	53	59
Arkansas	3	149,900	13,500	9	2,712	87	55	155
California	8	1,610,000	68,600	4	30,391	2,249	54	31
Colorado	14	107,100	2,200	2	2,370	79	45	28
Connecticut	10	374,500	14,700	3	5,651	291	84	51
Delaware	3	71,200	3,300	5	553	24	129	138
Florida	7	301,300	19,400	6	7,706	500	39	39
Georgia	2	439,900	67,400	15	6,684	473	66	142
Hawaii	2	25,800	2,800	11	686	100	38	28
Illinois	13	1,407,900	37,000	3	17,972	724	78	51
Indiana	14	708,400	13,200	2	6,787	155	104	85
Iowa	13	214,500	4,100	2	3,238	70	66	59
Kansas	8	165,400	4,700	3	2,489	66	66	71
Kentucky	3	231,400	23,100	10	2,911	127	79	182
Louisiana	9	173,000	7,800	5	3,395	72	51	108
Maine	8	116,300	3,700	3	2,092	43	56	86
Maryland	5	287,100	25,200	9	3,402	299	84	84
Massachusetts	3	719,900	55,000	8	10,494	926	69	59
Michigan	11	1,162,600	22,400	2	13,618	238	85	94
Minnesota	12	305,000	8,000	3	5,196	163	59	49
Mississippi	1	165,800	35,300	21	2,545	147	65	240
Missouri	5	465,900	33,400	7	6,420	394	73	85
Nebraska	10	82,200	2,100	3	1,646	35	50	60
New Hampshire	12	97,500	2,000	2	1,388	40	70	50
New Jersey	3	876,000	78,200	9	14,122	2,079	62	38
New York	1	1,946,200	297,500	15	41,098	10,323	47	29
North Carolina	2	665,400	65,000	10	7,894	453	84	143
Ohio	13	1,435,000	20,000	1	15,203	348	94	57
Oklahoma	8	120,100	6,300	5	2,593	7[illegible]	4[illegible]	81
Oregon	10	162,200	3,300	2	4,119	77	39	43
Pennsylvania	2	1,555,700	176,000	11	18,227	2,166	85	81
Rhode Island	2	125,700	22,100	18	2,617	285	48	78
South Carolina	2	318,600	44,000	14	3,310	234	96	188
Tennessee	1	439,400	68,700	16	4,829	306	91	225
Texas	4	709,300	53,400	8	12,159	578	58	92
Utah	6	45,700	3,400	7	1,104	51	41	67
Vermont	10	42,500	1,500	4	851	27	50	56
Virginia	3	353,700	33,200	9	4,640	206	76	161
Washington	12	280,400	5,400	2	4,718	126	59	43
West Virginia	6	125,800	5,500	4	1,767	45	71	122
Wisconsin	15	510,500	7,900	2	7,518	158	68	50

[1] States with 1,500 or more apparel industry employees.

Source: County business patterns.

CHART 1

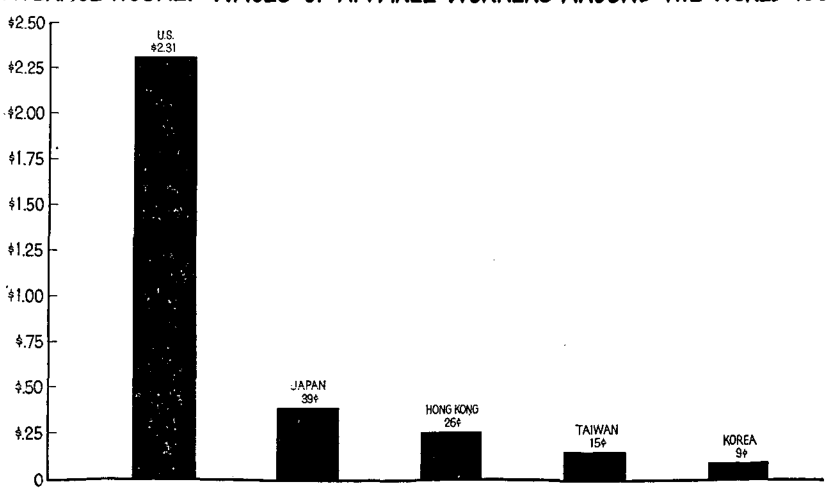
PERCENTAGE DISTRIBUTION OF U.S. APPAREL IMPORTS BY SELECTED COUNTRY FOR 1969



SOURCE: U.S. DEPARTMENT OF COMMERCE

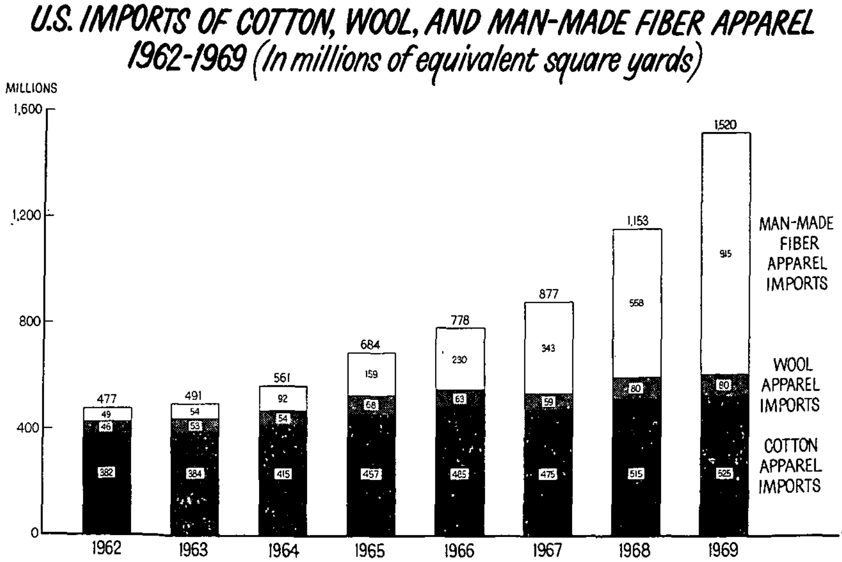
CHART 2

AVERAGE HOURLY WAGES OF APPAREL WORKERS AROUND THE WORLD-1969



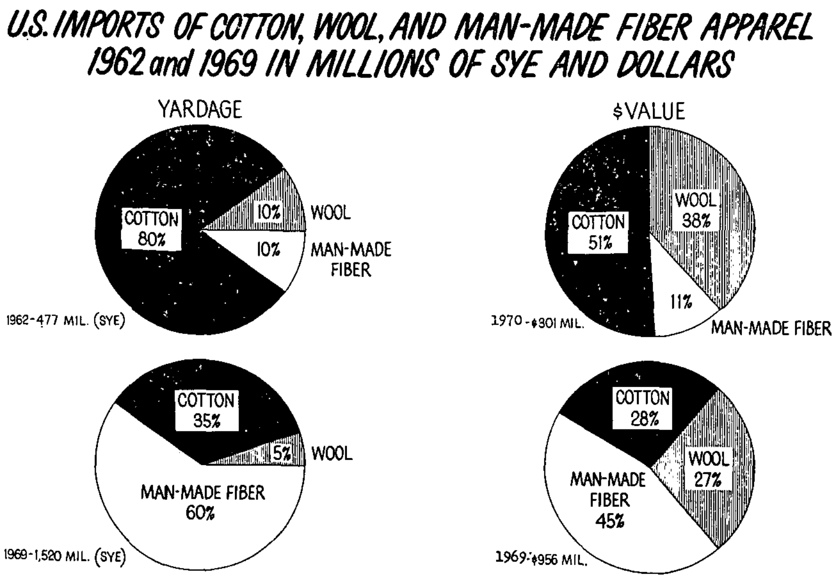
SOURCE: ESTIMATED BY AAMA

CHART 3



SOURCE: U.S. DEPARTMENT OF COMMERCE

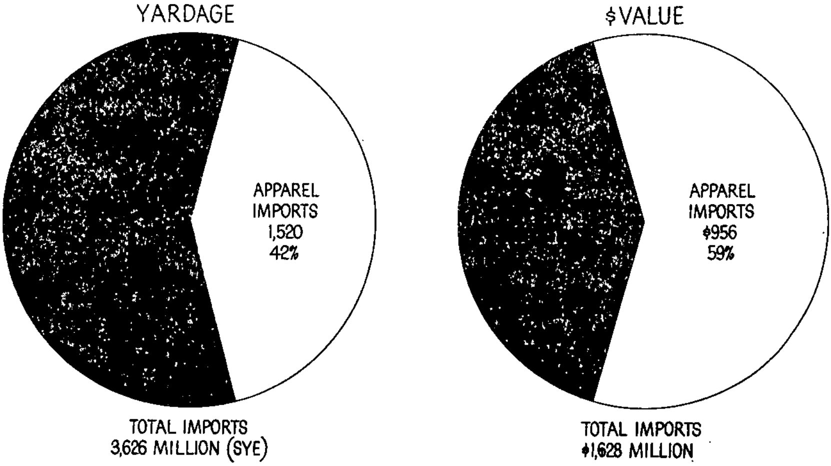
CHART 4



SOURCE: U.S. DEPARTMENT OF COMMERCE

CHART 5

U.S. IMPORTS OF TEXTILE AND APPAREL PRODUCTS FOR 1969 MILLIONS OF SYE AND DOLLARS

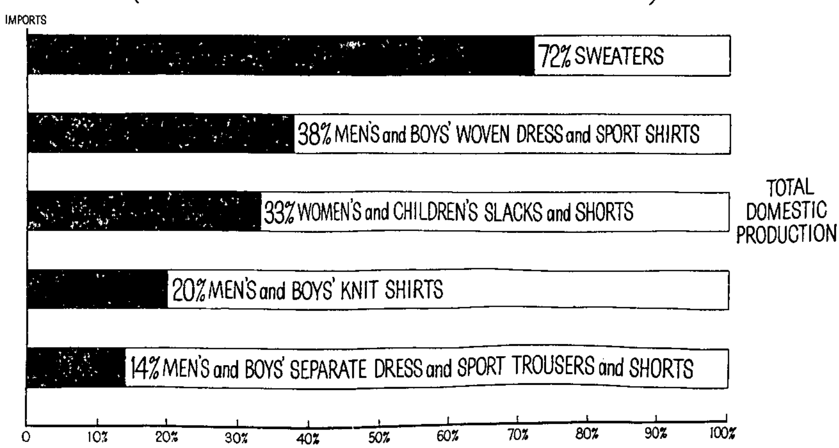


SOURCE: U.S. DEPARTMENT OF COMMERCE

CHART 6

RATIO OF APPAREL IMPORTS TO U.S. PRODUCTION FOR SELECTED APPAREL PRODUCTS*

(COMPARISONS IN UNITS OF IMPORTED AND U.S. PRODUCED APPAREL)



*ALL FIBERS

SOURCE: U.S. TARIFF COMMISSION AND AAMA

STATEMENT OF FRANK N. IKARD, PRESIDENT, AMERICAN PETROLEUM INSTITUTE

The American Petroleum Institute believes the most helpful information it can present in connection with the proposed trade and tariff amendments would be a review of some of the testimony on the oil import question that was given at a hearing of the House Ways and Means Committee on June 3 of this year.

We have prepared a digest based on this testimony, brought up to date with the insertion of references to some highly significant later developments. Accompanying this digest, we request the opportunity to have included in the record the complete testimony of three petroleum industry witnesses who appeared at that hearing: M. A. Wright, who spoke on behalf of Humble Oil & Refining Co. and Standard Oil Co. (New Jersey), and Robert G. Dunlop, chairman of the board of Sun Oil Co., and myself, both appearing on behalf of the American Petroleum Institute.

I believe that this testimony is all the more valuable and informative in view of subsequent developments and the now widely recognized energy supply problems which were referred to by these witnesses.

The digest referred to follows:

BACKGROUND—OIL IMPORT PROGRAM

Beginning in the early 1950's, increasing amounts of foreign oil were imported into the United States. The government became concerned that these imports would undermine the domestic petroleum industry and make the nation overly dependent on oil from foreign governments. Therefore, in March 1959, President Eisenhower, acting on the advice of the Director of the Office of Defense Mobilization, promulgated the Mandatory Oil Import Control Program.

Under the program crude oil, unfinished oils and products other than residual fuel oil are limited by quota in the geographic area east of the Rockies. The quota limit is 12.2% of the amount of domestic crude oil and natural gas liquids the Secretary of the Interior predicts will be produced in that area during the period for which import allocations are granted. Imports into the West Coast and shipments of foreign residual oil to the East Coast are limited on a domestic supply-demand basis.

The program was reaffirmed by the Kennedy and Johnson Administrations. However, early in 1969, President Nixon appointed a Cabinet Task Force to re-examine the program.

In February of this year, the Task Force submitted its recommendations to the President. Five of the seven-man group recommended, in a majority report, that import quotas be phased out and replaced by a tariff system. Under the proposed plan, rates would be set at levels designed to increase the flow of foreign oil into this country and thereby lower current petroleum prices. There would be only one restriction on the amount of foreign oil permitted to enter this country: Eastern Hemisphere imports would be limited to 10% of domestic demand.

Two members of the Task Force—the Secretaries of the Interior and Commerce—recommended, in a minority report, against the tariff proposal and for continuation of the quota system. They were joined by the Chairman of the Federal Power Commission, an observer on the Task Force study.

Because two members of the Task Force and the FPC chairman openly dissented from the majority view, and because three of the proponents of the tariff system—the Secretaries of State, Defense and Treasury—expressed certain reservations, the President declined to implement the Task Force recommendations. Instead, he appointed an Oil Policy Committee to study the import question as part of the nation's overall energy policy. The committee is headed by George A. Lincoln, Director of the Office of Emergency Preparedness.

In August it was announced that President Nixon had accepted the recommendation of this committee that consideration of the tariff plan be dropped in favor of concentrating on improving the oil import quota system.

Both before and after this decision several Congressional committees have been examiningt he short- and long-range implications of the oil import question. The American Petroleum Institute presented its views in testimony before the House Ways and Means Committee on June 3, 1970. In essence, oil industry witnesses told Congress that the tariff proposal, as an alternative to the present import quota program:

1. minimizes the national security objective of oil import controls,
2. is based on erroneous assumptions and serious omissions, and
3. fails to properly assess the consumer's stake in the program.

On the following pages, we have summarized the salient points of their comprehensive presentation.

1. PETROLEUM AND NATIONAL SECURITY

President Eisenhower, in promulgating the Mandatory Oil Import Control Program, said:

"The basis of the new program . . . is the certified requirements of our national security which make it necessary that we preserve to the greatest extent possible a vigorous, healthy petroleum industry in the United States."

National security remains the cornerstone for oil import controls. For, during the last decade, the nation has become even more dependent on the energy of oil and natural gas—to the point that today petroleum furnishes 75% of the nation's energy needs.

National security encompasses:

Military strength and defense capability.

A strong industrial and civilian economy.

Freedom from foreign coercion.

These three elements are interdependent—

A powerful defense posture cannot be achieved without a strong economy.

A stable and growing economy requires the protection afforded by military strength.

A nation's political independence in its dealings with foreign governments is only as strong as its military preparedeness and economic power.

Military strength

The strategic importance of oil to the military is illustrated by the following set of statistics: The United States has experienced:

1 year of war for every 2 years of peace—since petroleum became essential to the needs of our armed forces in 1912.

1 year of war for every 1½ years of peace—since the end of World War II 25 years ago.

2 years of war for every 1 year of peace—since the institution of the Mandatory Oil Import Control Program in 1959.

Thus, while Americans yearn for peace, world tensions continue; and as a nation, we cannot risk the strength of our military defense on substantial amounts of potentially insecure supplies of foreign oil.

Uncertainty of foreign supply

Although today's energy shortage is the result of a number of factors and problems, it was triggered by recent events in the Middle East and North Africa. The continued closing of the Suez Canal after the 1967 Arab-Israeli War put a strain on world tanker capacity. The short haul through the canal has had to be replaced by the long, slow trip around Africa's Cape of Good Hope. This year more oil has had to make that trip because of Syria's refusal to permit repair of a break in the Trans-Arabian Pipeline and Libya's sudden imposition of servere restrictions on production of its oil.

Since the voyage around the tip of Africa ties up about six times the tanker capacity required for a straight trip across the Mediterranean, these dislocations of short haul oil movements have had global repercussions. Spot tanker rates have soared, with the result that the delivered price of Eastern Hemisphere oil brought to the U.S. by this form of charter substantially exceeds the cost of domestic production.

This experience should reinforce previous lessons about the vulnerability of imported oil. It also clearly reveals thta the low price of foreign oil is as uncertain as the supply.

Economic stability and growth

The absence of adequate supplies of petroleum would lead to the decline of the United States as an organized society—as evidenced by the following data:

The total U.S. energy needs met by petroleum have increased, in less than three decades, from:

40% in 1942, to

75% in 1970

The very life of our civilian and industrial society today requires petroleum to an extent without precedent:

Every industrial process in our economy needs petroleum in some form.

Nine out of 10 households are heated by oil or natural gas.

Eight out of 10 members of the American labor force rely on their cars for daily transportation to their jobs.

The very existence of our urbanized metropolitan areas depends on petroleum supplies.

Thus, weakening the domestic oil industry—through substitution of insecure foreign sources of petroleum energy—would have broad economic consequences.

Diplomatic freedom and maneuverability

A strong domestic petroleum capability insures the United States freedom from foreign diplomatic coercion. If the nation were dependent on imported oil, we could find out international diplomacy tied to our foreign petroleum needs. Present world tensions demand secure domestic petroleum supplies to assure American independence from coercion in the diplomatic field.

The growing influence of the Soviet Union in the Middle East and North Africa—the area of the free world with the greatest petroleum reserves, and also the area of the world that is currently most unstable—could affect American freedom to maneuver diplomatically.

Russia—in addition to arming and training the armed forces of Syria and Egypt and maintaining a naval task force in the Mediterranean—has:

Agreed to assist the governments of Iraq, Algeria and Libya in petroleum development, and

Offered to build a pipeline to tap Iranian gas reserves.

Moreover, during the last two decades there have been nine crises in the Middle East and North Africa that seriously affected the flow of petroleum supplies from that area of the world. Here is the chronology:

1948—The start of the first Arab-Israeli War. Iraq shut down a pipeline to the Mediterranean, and prohibited completion of other lines. These lines remain unfinished today.

1951—Iran seized the properties of the Anglo-Iranian Oil Company. Production was shut down for 3 years.

1956—The start of the second Arab-Israeli War. The Suez Canal was closed. The pipeline from Iraq to the Mediterranean was sabotaged.

1961—Iraq seized a giant undeveloped oil field. This issue remains unresolved; Russian intervention has been reported.

1966—Syria shut down the Iraq Petroleum Company pipelines crossing its territory.

1967—The start of the third Arab-Israeli War. Arab producers temporarily halted production. The Trans-Arabian Pipeline was shut down. Shipments of oil to the U.S., U.K. and West Germany were embargoed. The Suez Canal was again closed, and remains closed today.

1969—The Trans-Arabian Pipeline was sabotaged by Arab guerrillas on several occasions.

1970—The Trans-Arabian Pipeline has been shut down because Syria has refused to permit repairs of a break in the line.

1970—Libya ordered cutbacks in the production of its oil.

The most recent (1967) Israeli-Arab conflict saw nations throughout the world faced with an interruption of their needed oil supply that normally flows from the Arab states. But not the U.S.

The U.S., fortunately, was dependent on Arab states for only about 3% of our crude oil requirements. The impact of this supply crisis was thus barely felt in this country.

Western Europe, on the other hand, was confronted with a potential serious shortage of oil—up to 80% of requirements in some cases. However, America—because it had a healthy domestic crude oil producing industry—was able to step in, expand its domestic crude oil production, and export petroleum to other nations to make up for their shortages.

Since 1967 the ability of the American petroleum industry to meet emergencies like this declined sharply due to continuing economic pressures resulting from federal regulation of natural gas producers, a long-sustained cost-price squeeze, and the impact of the heavy tax increases imposed on petroleum producers by the 1969 tax legislation.

Concern has already been expressed by conservation officials about the dangers of pollution from the high level of production authorized in Texas to deal with the present supply shortage. Moreover, the Director of the Interior Department's Office of Oil and Gas has publicly called attention to the rapid disappearance of spare producing capacity. He has estimated that oil production will equal productive capacity by next year, eliminating any excess to be drawn upon in an emergency.

2. PROPOSED TARIFF PLAN (ASSUMPTIONS AND OMISSIONS)

The report of the Task Force majority assumes that only 10% of American demand would have to be met from Middle East imports in 1980, even if the price of domestic crude oil were reduced 25%.

However, petroleum industry studies indicate that, were domestic prices to be depressed 25%, imports from the Eastern Hemisphere would by 1980 amount to 43% of U.S. demand—more than 14 times as much as was imported from that part of the world just three years ago. The United States and its citizens could thus find themselves, at some future time, in the same precarious situation experienced by other nations during the 1967 crisis.

The majority report recognizes the real possibility of a Middle East supply interruption, and suggests two emergency alternatives to handle the American supply deficit:

A. Rationing.
B. Dependence on Venezuelan and Canadian supplies.

Let's examine each alternative.

A. Rationing

The majority report suggests that rationing could tide the country through a prolonged supply crisis, and assumes a 10% reduction in domestic consumption through rationing. The report adds that, if liquefied natural gas imports (which it says may become a significant component of the gas supply in the late 1970's) were also cut off, rationing would have to be extended to gas consumers.

A study issued by the Office of Emergency Preparedness earlier this year concluded that a 10% rationing would be:

A "severe" limitation, since it would all fall on motor gasoline consumption, and

Highly unpopular and difficult to justify to the public during a peacetime supply crisis.

The Chase Manhattan Bank, in July 1969, cited the following important distinctions between World War II and today with regard to petroleum rationing:

Petroleum has replaced coal as the dominant source of energy, serving 75% of the nation's needs today.

More than 100 million motor vehicles are in use today—three times the number at the start of World War II—and all but a small fraction of them are used for essential purposes.

B. Dependence on Venezuelan and Canadian supplies

The second alternative suggested by the majority report is greater dependence on Venezuela and Canada to supply our needs in the event of a Middle East supply interruption.

There is valid reason to ask if the majority report's optimism is justified on the basis of the past; and if their forecasts for the future are accurate.

Past record

Venezuela, at its peak rate of output during the 1967 Middle East crisis, increased its crude oil production by less than half the increase in U.S. production. Even more significant, Venezuelan crude exports to the U.S. during 1967 were substantially below 1966 exports. The reason for the drop: Venezuela had to divert its shipments of oil during the crisis to make up for overseas shortages particularly in Europe—but in Canada as well.

Eastern Canada has historically depended on the Middle East for about one-half its crude oil supply. When this supply was abruptly halted during the 1967 crisis, Canada was able to step up its crude production only slightly. And its pipeline capacity proved inadequate to move vital oil supplies from its western producing provinces to its east coast, which was short of oil. The United States, therefore, had to step in—along with Venezuela—to help alleviate eastern Canada's potential oil supply crisis. In fact, the U.S. supplied Canada with 40 times as much oil as the additional stepped-up amount that country itself could produce.

It is not safe, therefore, to conclude that Venezuela and Canada could come to the rescue of the United States during a future oil supply crisis. Venezuela had to cut its shipments of oil to the United States in 1967, and Canada had to rely on increased U.S. exports to help alleviate its serious oil shortage.

Future forecasts

The majority report, in proposing that Venezuela and Canada could make up U.S. shortages in the event of a future Middle East supply cut off:

Assumes substantial production from Venezuelan areas not yet explored,

Overlooks the fact that existing Venezuelan concessions have been thoroughly explored and that the Venezuelan government does not intend to grant new concessions in the foreseeable future,

Assumes substantial production (about 7 billion barrels by 1980) from areas of Canada where no reserves have yet been discovered, and

Estimates that large amounts of synthetic crude oil can be obtained from Canadian tar sands at less than current crude oil prices—a possibility oil industry studies indicate would not be economically feasible.

In forecasting future supplies, the majority report has also:

Overstated the volume of crude oil that would be produced in the U.S. at lower-than-current prices,

Overstated the domestic industry's future spare capacity,

Overstated the U.S. petroleum industry's ability to draw from inventories in the event of an emergency.

Beyond 1980

The majority report limited its future oil supply projections to 1980.

This limitation is totally unrealistic. Known, inground reserves now exist to take care of much of the current decade's needs. The danger of the proposed tariff plan lies beyond 1980.

The majority report apparently overlooks the fact that it takes from 3 to 10 years to develop an oil field after the initial discovery. Moreover, it ignores the fact that, faced with an influx of cheaper (at present) foreign oil, domestic producers would have little incentive to explore for new oil and gas; and, with depressed domestic crude oil prices, oil companies and the public would have little incentive to invest in exploration for new reserves. This would eventually lead to an even greater U.S. dependence on foreign oil.

3. THE CONSUMER'S STAKE

The shift to a tariff system would have a number of serious consumer-cost and other economic implications.

A. Cost to consumers

The tariff plan, with a domestic crude oil price-reduction built into it, would have a nationwide impact:

1. Over the next 15 years, according to experts at the Chase Manhattan Bank, the labor force would lose roughly $12 billion in wages; federal and state revenues from oil and gas leases would drop by nearly $9 billion; the steel industry would lose about $8 billion in sales; companies involved in exploration activities would experience cutbacks of about $7 billion; and oil and gas service companies would lose more than $6 billion in income.

2. It is estimated that as many as 150,000 petroleum industry workers would lose their jobs during the next decade.

3. The tariff system, moreover, would *not* result in significant savings to consumers. Under the present quota system, most of the differential value of foreign oil flows to consumers in the form of lower prices; under the tariff approach, this flow of value would be directed to the federal government. Unless the government reduced other taxes by a like amount, petroleum consumers would have to pay correspondingly higher prices.

4. Perhaps most important of all from the consumer's point of view, once domestic crude oil reserves dried up and the U.S. become even more dependent on Middle East oil, the price of that imported oil would without doubt be raised. Major exporting countries have already banded together to form an organization whose purpose is to control world oil markets.

5. The available supply of natural gas would be reduced, or its price to millions of consumers would have to be increased drastically.

B. Other economic considerations

The Task Force minority report, in calling the tariff system "highly undesirable," cited other economic disadvantages of the proposal:

1. It would intrude the federal government into the pricing mechanism for crude oil and products. This would inhibit the ability of the domestic petroleum industry to provide the needed petroleum supplies from secure sources, and discourage vitally needed investments.
2. It would, by making the U.S. increasingly dependent on overseas oil, aggravate the U.S. balance of payments deficit by several billion dollars a year.
3. It would not control the *volume* of foreign oil flowing into the U.S., as the present quota system now does. The tariff plan would have to be finely tuned—a complicated and costly procedure—in order to keep up with such things as fluctuating tanker rates and changing policies of foreign governments.

There are some of the offsetting consumer-cost and other economic disadvantages of the proposed tariff plan. It is these offsets that former Under Secretary of the Interior, Russell Train, undoubtedly had in mind when he sought, last November, to put the cost estimates of the present program into perspective. He said:

"Costs of the present program to consumers have been estimated as high as seven billion dollars based on 1975 use rates, compared with a resource cost of about one billion dollars annually. But it is this lower figure—the net cost to the nation after all transfers from one American pocket to another have been wrung out—that is the true measurement of the premium we are paying to have a reliable oil supply in support of our national security."

CONCLUSION

On the whole, the present Oil Import Control Program has proven to be effective in maintaining the national security of the United States—militarily, economically, and diplomatically. While, admittedly, some administrative changes need to be made in the program, the quota approach to oil import control has proved itself in actual practice over more than a decade.

The tariff approach does not seem to be a wise alternative because, among other things, it would make America excessively dependent on insecure Middle East oil supplies.

These two observations by petroleum industry witnesses at the June 3 hearing led Congressman Wilbur Mills, Chairman of the House Ways and Means Committee, to state:

"I don't want to see us in 1985 or any other time dependent for over half of our principal fuel . . . requirement having to come from the Arab world."

Language in the Foreign Trade legislation subsequently reported by the House Ways and Means Committee appears to reflect this concern. So does the position of the Oil Policy Committee in opposing a shift from oil import quotas to tariffs in the light of world developments that have occurred after the Task Force on Oil Import Control submitted its recommendations.

The American Petroleum Institute fully subscribes to the view that a quota system of oil import controls is the most efficient and reliable method of safeguarding the national security requirement of dependable petroleum supplies.

Statement of Robert G. Dunlop, Chairman of the Board, Sun Oil Co., Philadelphia, Pa., in Behalf of American Petroleum Institute, Before the Ways and Means Committee

I am Robert G. Dunlop, chairman of the board of Sun Oil Company, Philadelphia, Pennsylvania.

I appreciate the opportunity to appear today with my associates to share with you our views on oil imports and related policy issues as they affect the trade expansion legislation now before you.

Mr. Ikard has forcefully demonstrated that reliable supplies of petroleum adequate to meet our basic needs are essential to the military and economic security of this nation. And Mr. Wright has raised grave questions as to whether that security would in fact be provided under the program recommended by the majority of the Cabinet Task Force on Import Control.

I shall conclude our presentation by discussing some of the specific issues which we feel require careful consideration in determining oil import policy. I will point out the significant advantages of the quota system over the tariff approach, comment on the real cost of import restraints, look at the prospects for synthetic fuels development and, perhaps most importantly, review petroleum industry capital requirements over the next 15 years relative to alternative methods of import control.

Right at the outset I want to say that we welcome this opportunity to re-examine and re-appraise petroleum import policies. Periodic policy reviews are essential to shaping and re-shaping effective strategy for the future. I would only ask that in this review we keep our eyes firmly fixed on the real objective—the objective of providing secure supplies of primary energy adequate to meet our essential needs. Import limitation is not an end in itself, but simply a tool to help us reach that objective. We must guard against becoming so deeply concerned with the mechanics of import controls that we lose sight of the energy security goal which we are really seeking.

If we think in terms of that goal, the import control issue can be brought into sharper focus. We simply need to measure alternative approaches against the goal, choosing the one which will provide the required security of energy supply at the lowest real cost to the nation.

It is significant that the members of the Cabinet Task Force on Import Controls reached unanimous agreement on the need to restrain the influx of foreign oil, while disagreeing widely on the appropriate control mechanism to be adopted. This important question—tariffs versus quotas—has been and remains one of the major issues to be resolved in connection with the overall review of the United States oil import control program.

After careful and extensive evaluation of this program over a number of years, I want to say that I oppose the use of tariffs at this time to control the volume of foreign oil imports into the United States.

I oppose the proposed tariff system for these reasons:

First, it is not directed principally toward volumetric control of foreign oil flowing into the United States, which is our basic need. While the quota system achieves this goal very precisely, the tariff system does not and, in fact, cannot. The Cabinet Task Force itself recognized this weakness of the tariff approach when it recommended that imports from the Eastern Hemisphere be limited to 10 per cent of domestic demand. In effect, the Task Force has superimposed a tariff plan on the quota system.

Second, the tariff system as proposed would impose itself into the pricing mechanism for crude oil and products in the United States oil industry.

This would inhibit the ability of the industry to provide the necessary supply of petroleum from secure sources. If we are to limit imports from insecure sources to 10 per cent of requirements, we must be sure that we can attain 90 per cent of our requirements from secure sources. Mr. Wright's testimony has demonstrated that this will require a major effort.

The substitution of administrative manipulation for market forces in pricing decisions simply doesn't work. And we need look no further than the present situation in natural gas to see why. Federal control of wellhead gas prices over the past 15 years has resulted in an over-stimulation of demand and deterrent to supply. Today we are reaping the bitter fruits of that policy in dwindling supplies and the weakening of our capability to meet future needs for natural gas. This is in itself a major threat to our long-run objective of energy security. We dare not now expose the oil segment of the industry to the same handicap.

Our need is to strengthen incentives, to encourage the broad-scale development of liquid and gas reserves in North America and to accelerate the development of synthetic fuels. We will be dooming the effort to failure before the fact if we adopt a system of import control which would reduce incentive and restrict generation of capital through governmental price manipulation.

The potential for disruptive federal control under the recommended tariff plan can hardly be overstated. We suggest tlat provision for such arbitrary interference is not only unnecessary but is in fact a grave threat to our national goal of energy security.

A third reason why I oppose tariffs is the inherent uncertainty this approach would create as to future prices and investment opportunity. The nature of petroleum exploration is such that large, high-risk investments must be committed on a long-term basis. Finding and development programs must be instituted 5 to 10 years in advance of expected production. A tariff plan laced with uncertainty about future prices can only result in a drastic reduction of the incentive for new oil and gas exploration and development.

Finally, in our view the tariff approach will not result in significant savings to consumers as its proponents claim.

Under the quota system, most of the differential value of foreign oil flows through to consumers in the form of lower prices. Institution of a tariff would direct this flow of value to the federal government. Petroleum consumers would have to pay correspondingly higher prices unless the government chose to reduce other taxes by a like amount. The Task Force itself proposed that the money be used for other purposes such as the development of strategic reserves or synthetic fuels. This, in effect, would put the government into the energy development business to strengthen a security position which was weakened by substituting a tariff for the quota system. In our view, this provides no additional benefits to anyone.

In regard to the cost of import controls, those who choose to emphasize the gross cost to the U.S. petroleum consumer rather than the net resource cost have performed a disservice to the nation. We should keep in mind that any reasonable consideration of costs must be on a net basis, with the offsetting of economic gains and losses. Thus, multiplying total U.S. oil demand by the average cost differential between domestic and foreign crude oil exaggerates true cost. For that figure must be offset by a number of benefits which stem directly from import controls. Among these benefits are the lower prices which flow through to consumers due to lower-cost oil imported under the present program, royalty and bonus payments to the federal government, and oil tax payments to state and local governments. Consideration must be given also to the job losses and other economic disruptions that would result from reduced U.S. petroleum industry activity.

Viewed in this light, the cost of present import controls is considerably less than opponents of the quota system would have us believe. The most reasoned and responsible comment on this matter that I have seen was made last year by Russell E. Train, then Under Secretary of the Interior. Speaking before the annual meeting of the American Petroleum Institute, he said this (and I quote):

"Costs of the present program to consumers have been estimated as high as seven billion dollars based on 1975 use rates, compared with a resource cost of about one billion dollars annually. But it is this lower figure—the net cost to the nation after all transfers from one American pocket to another have been wrung out—that is the true measurement of the premium we are paying to have a reliable oil supply in support of our national security." (end of quote.)

Mr. Train went on to say that this cost appeared to him to be "quite modest" in comparison to other national security outlays. We agree.

I would like here to make the additional point that focusing on gross cost to the consumer, as the Cabinet Task Force did, unnecessarily compounds a growing national problem. The problem if our unwillingness, or inability, to recognize that attaining national goals such as energy security and environmental improvement is going to cost all of us something. The true cost is the "net resource cost," which in effect measures the reduction in goods and services resulting from the pursuit of other than economic goals. These are the costs we must consider in evaluating policy alternatives.

When attention is focused instead on gross cost to the consumer, comparisons are badly distorted, pressures for cost reduction are intensified, and the quality of policy decisionmaking suffers. All too frequently, this road leads to restrictive regulation which precludes creative response directed toward minimizing cost. I hope that we can avoid this in considering oil import control policy.

In our view, the quota system has proved to be a fundamentally sound and very effective approach to import limitation. Under it, the U.S. petroleum industry in the past decade had found and developed very substantial new supplies of oil and gas under very difficult circumstances. At the same time, American consumers have enjoyed the benefits of a rising volume of lower-cost foreign oil as a supplement to domestic supplies. This is not to say that the system is perfect; it is not, and we know that it can be improved. But it is to say that the quota approach to import control has proved itself in actual practice over more than a decade.

Now, for the next few moments I would like to get specific about a very important aspect of future petroleum policy—money and investment. If we accept the proposition that the real issue is not the mechanics of import control but the most effective method of building our energy security for the future, then financial resources become the key consideration. To develop the supply capability required to assure energy security in the United States, we will have to spend billions of dollars. And, frankly, right now it is difficult to see where all that money will be coming from.

In attempting to put this money problem into perspective, I will draw upon material developed by John Winger, vice president of the Chase Manhattan Bank and one of the country's foremost authorities on petroleum financing. Although the supply and demand projections upon which Mr. Winger's financial requirements are based are not precisely the same as those presented by Mr. Wright, both lead to the same conclusions relative to future financial requirements.

First, let's see what the magnitude of capital requirements would be if we were to attempt to maintain the present relationship between imports and domestic production.

Mr. Winger postulates that if the United States is to maintain a minimum safe level of proved petroleum reserves and not become more dependent upon outside sources than it is now, the petroleum industry must find and develop 105 billion barrels of oil and 560 trillion cubic feet of natural gas in the next 15 years. Based on past results, the industry would need to spend approximately $150 billion over the next 15 years to find and develop that much oil and gas.

The industry is not going to have anywhere that amount of money available for such investments in the next 15 years. In fact, there is no cogent reason for expecting that it will commit very much more than the $68 billion invested in the past 15 years. Capital is in short supply and we will have to be highly selective, in deciding where and how to use it. At the present level of economic incentives then, it is unlikely that investment in the search for petroleum will exceed some $75 billion over 1969 to 1985 period. This would enable us in 1985 to supply just over half of our oil needs and about 55 per cent of our gas needs from domestic sources. Conceivably, we could meet the projected oil deficit with imports, but it is unlikely that we could import enough gas to meet requirements.

Now, assume that the import recommendations of the Task Force majority were implemented and domestic crude oil prices were pushed down by an average of 30 cents per barrel. What could we then anticipate in the way of investment? Mr. Winger estimates that under these conditions total outlays for the petroleum search over the next 15 years would approximate only $30 billion. This would be *$45 billion less* than would otherwise be invested.

At this level of expenditure, we would be able to satisfy only about one-third of our oil and gas needs from domestic sources by 1985. And since there are severe limitations on the volume of gas that can be imported into the United States, a larger share of overall energy demand would shift to oil. This would boost our oil needs to some 26 million barrels a day by 1985, and require that as much as 70 per cent would have to be imported.

Mr. Winger goes on to point out, as Mr. Wright did a few moments ago, that in this situation the United States would be required in 1985 to depend upon the Middle East and North Africa for a sizeable share of its imported oil. Specifically, the forecasts indicate the United States would be dependent upon these Eastern Hemisphere sources for almost half of its oil supplies in 1985.

We submit that this degree of dependence on petroleum sources which historically have been subject to supply interruptions poses a national security problem of the first magnitude. And even in the absence of supply interruptions, I think it is becoming apparent that such a heavy dependence on Eastern Hemisphere oil, which is largely controlled by an organized group of producing countries, would result in higher prices and the loss of anticipated savings to American consumers.

Please keep in mind that the capital investment figures I have been discussing above refer only to the finding and development phases of petroleum activity. The industry will continue to require tremendous amounts of capital for refining and other facilities beyond the wellhead over the period we have been discussing. Mr. Winger has estimated these additional needs to total some $77.5 billion over the next 15 years. On a combined basis, this means total capital requirements of the United States petroleum industry between now and 1985 could range from $153 billion to $233 billion.

I should point out that these estimates make no allowance for two factors which could substantially affect the level of capital needs in the future—continuing inflation and the national effort to improve our environment.

In regard to inflation, there is little in today's outlook that suggests any quick halt to the rise in prices. We hope that the Administration's current efforts to slow inflation will be successful. But a realistic view of the future tells us that we must expect inflation to add significantly to our investment needs in coming years.

While it is far too early to attempt to estimate the amount of money that will be required to preserve and improve the quality of our environment, we do know that the costs will be substantial.

The American Petroleum Institute estimates that right now the oil industry's expenditures for operating facilities relating to air and water pollution control are approaching a rate of one-half billion dollars annually. Obviously, this spending will grow substantially in the future.

Over and above this, the industry is now deeply involved in seeking solutions to the problems of pollution from motor vehicle exhaust emissions. Central to this effort will be far-reaching changes in refining operations to eliminate or reduce the amount of lead in gasoline. Precise cost estimates cannot now be made since fuel quality targets have not yet been established. But it is evident that total costs of solving this problem could range from $3 billion to $10 billion, depending on octane quality requirements.

As I indicated earlier, the outlook for obtaining the total capital required is bleak under present economic circumstances. And it would become far more so if the Task Force recommendations were implemented.

A brief look at our present situation will perhaps help you to grasp the enormity of the capital problem for the future. Historically, the industry was until recently able to provide nearly all of its capital requirements internally by plowing back some 75 per cent of its cash earnings. This is no longer true, as the experience of the Chase Manhattan group of petroleum companies demonstrates. During the past 10 years, expenditures have increased at a faster rate than available funds from cash earnings. This growing deficit has been met principally through a large increase in debt and only in part through equity financing.

As a result, the debt ratio for this group of companies has increased by 50 per cent since 1964, rising from 12.7 per cent to 19.7 per cent at the end of 1969. In dollar terms, the long-term debt position has more than doubled, going from $5.5 billion to $12.8 billion. And these figures do not include substantial indirect financing, which has been estimated to total more than $7 billion.

There are severe obstacles to obtaining these growing amounts of outside capital. The industry has not enjoyed exceptionally high profits, and now it is feeling the additional impact of the 1969 tax changes and of continuing cost inflation. Coupled with the relative scarcity of capital today, these factors indicate that the petroleum industry under the best of circumstances faces difficult financing problems in the years immediately ahead. Adoption of an import control system having as an integral objective the reduction of U.S. crude oil prices would only precipitate an additional flight of capital and seriously worsen an already grave problem.

I would like next to examine with you one additional aspect of the petroleum supply situation. I refer to the broad field of synthetic fuels development and the outlook for its contributions to our future energy supply.

Among the strengths of our nation in the long-term energy picture are the large coal and shale oil reserves which will provide the resource base for a substantial synthetic fuels industry in the future. Adding to these resources on a continental basis are the vast reserves in the Athabasca and other tar sands deposits in Western Canada. Considerable research and pilot plant work are already under way on development of fuels from shale and coal, and, of course, my company has had mining and extraction facilities in operation in the Athabasca tar sands for more than two and one-half years.

However, the present state of technology and the present economics of the energy business preclude any one of these sources from becoming a significant supply factor in the time period we are considering. It has been estimated that, given proper economic incentives, a minimum of five to six years would be required to develop multi-plant production capacity for shale oil, and that a slightly longer period would be required for multi-plant capacity for producing liquids and gas from coal.

The two points I want to emphasize relative to synthetic fuels development are these:

First, it is unrealistic and dangerous to assume that synthetic fuels can make any really substantial contribution to our domestic energy supplies during the next 10 years. And they certainly cannot be considered to be a source of emergency supply. The additional research that is required, the full testing of commercial-size plants that must be carried out, and the large capital investments that are required preclude rapid development of synthetic fuels production. And, of course, a reduction in crude oil prices would mean further delay.

However, in view of the growing gap between our energy requirements and our ability to meet demand with secure supplies from conventional sources, it is imperative that we begin now to formulate a framework of national policy for the orderly development of synthetic resources. The long lead times required dictate that a carefully planned program be initiated now if these sources are to make a significant contribution to our energy needs in the 1980's.

Perhaps I can emphasize these points by describing from my personal knowledge Sun Oil Company's costly experience with the project to develop production from the Athabasca tar sands.

We initiated research and related work on this project in the early 1960's, began plant construction in 1964, completed the facilities in 1967, and went into commercial operation in late 1968. Economically, the results to date have been very disappointing, although the technology developed has produced a very high quality synthetic crude oil. However, due to the problems involved in instituting a new technology, we have experienced a series of mechanical problems which have delayed our attaining full-scale production. These have been gradually corrected, and we are encouraged by current production levels.

I should point out, however, that the project was initially judged feasible and undertaken in the anticipation of crude oil prices having a reasonably constant relationship to the cost of production. On that basis, we have invested more than one-quarter of a billion dollars in the complex. Any reduction in crude oil prices, such as envisioned under the Task Force majority recommendations, would seriously impair our ability to develop the project into a profitable operation.

I emphatically agree with the Task Force that there would be no production from the tar sands at or anywhere near a crude oil price of $2.50 per barrel. And I further think that it would be virtually impossible to attain the Task Force projection of one million barrels daily by 1980 at the proposed price of $3.00 per barrel.

This would require 22 plants the size of our facilities and an investment of more than $6 billion. More importantly, really large-scale production from the Athabasca tar sands must await the development of economic *in situ* technology. And one company in the forefront on this technology indicates that commercial development of the method is dependent upon a price level of $3.50 to $3.75 a barrel.

In brief, a viable synthetic fuels industry is dependent upon the refinement of current technology, upon stable prices which are responsive to market forces, and upon the investment of very large amounts of capital. This is the route we must follow to achieve effective development of synthetic fuels for our use in the years ahead.

Before closing, I would like to make the additional point that expanding imports of oil and gas will accentuate an already critical balance of payments problem. To the extent that we strengthen the domestic industry and develop alternative synthetic sources, this growing drain on the payments balance will be reduced.

In summary, I would like to reiterate the point which I made at the beginning of my statement: Our basic concern is assuring to the maximum extent possible the development of secure energy supplies which are adequate to cover our essential needs. Or to put it another way, our concern is to limit our dependence on insecure foreign sources for energy essential to our military security and our economic growth. To achieve this objective, we feel that policy positions relating to external trade in petroleum should be reached in the light of three basic considerations:

1. The need for effective quantitative limitation of oil imports, as necessary to maintain the health and viability of the domestic petroleum industry.
2. The need to strengthen incentives for investment in finding and developing domestic petroleum resources. This will require that crude oil prices be permitted to move in response to domestic market forces and that controls over natural gas wellhead prices be substantially relaxed or removed.
3. The need to encourage the orderly development of a synthetic fuels industry capable of making significant contributions to U.S. energy supply in the 1980's and beyond.

We submit that the quota system for controlling oil imports will contribute to meeting all of these needs, and do so at an acceptable real cost to American consumers.

In relation to the specific legislation before your Committee, we urge you to extend the national security provision of the Trade Expansion Act in its present form to make possible continuation of the quota system for limiting oil imports into the U.S. We make this recommendation in the belief that this policy is in the best interests of the American people, and that it is the most effective means of assuring energy supplies essential to our military and economic security into the future.

Thank you for your interest and attention.

STATEMENT OF FRANK N. IKARD, PRESIDENT, AMERICAN PETROLEUM INSTITUTE, IN BEHALF OF AMERICAN PETROLEUM INSTITUTE BEFORE THE WAYS AND MEANS COMMITTEE

Mr. Chairman, Members of the Committee: My name is Frank Ikard. I am President of the American Petroleum Institute, a national organization serving the various elements of the petroleum industry of the United States. In this statement, my remarks are directed to your consideration of national security as the continuing basis for policies governing the importation of petroleum produced outside the United States.

At the outset, let me emphasize that the American Petroleum Institute welcomes your review of the nation's trade policies, especially as those policies relate to the Mandatory Oil Import Control Program. That program has been in operation for eleven years. While it has been subject to frequent examination and reassessment, by both the legislative and executive branches, we believe that such close and continuous scrutiny is desirable in the national interest. Few other programs, so involving the vital interests of the United States, are so affected by by the volatile forces of the world in which we live.

In 1959, when mandatory quotas were first imposed on foreign oil imports into this country, the indispensable role of oil and natural gas as energy fuels had become increasingly apparent, and the need for a healthy domestic industry to provide the assurance that the nation's requirements for these fuels would always be met had become a matter of national security. Thus, the concept of national security emerged as the sole basis for the imposition of the Mandatory Oil Import Control Program.

Today, national security remains the cornerstone for oil import controls. During the last decade, the nation has become even more dependent on the energy of oil and natural gas, and at the same time, has become acutely aware of how international tensions can undermine the security of U.S. petroleum energy supplies.

Yet, as the decade of the 1970's begins, the relevancy and adequacy of the national security objective of the oil import program are being questioned.

Thus, we hope and expect that this Committee's efforts will contribute to strengthening and stabilizing national oil import policy for the challenges of the 1970's. I welcome this opportunity to appear before you to express the American Petroleum Institute's interest in the broad, basic, and central element of oil import policy—namely, the national security.

In 1958, when this Committee reported the Trade Agreements Extension Act, under which the Mandatory Program was subsequently proclaimed, the Committee firmly declared that:

"The interest to be safeguarded is the security of the Nation, not the output or profitability of any plant or industry except as these may be essential to national security."

In 1968, ten years after enactment of the authorizing legislation, the House Committee on Interior and Insular Affairs conducted an extensive review of the operation of the Mandatory Program and made this report:

"Three Presidents of this Nation, beginning with President Eisenhower and continuing with President Kennedy and President Johnson, together with innumerable special task forces, commissions, and study groups, as well as several congressional committees, have all been of one mind on the objective of the mandatory oil import program. Its one and only reason for being is to insure the national security of this Nation by reducing this country's dependence on foreign imports and assuring a strong and vigorous domestic petroleum industry."

The point is made.

But, just what is national security?

To some national security is a synonym for military strength, and in fact, defense capability is a vital element of a nation's self-reliance and security.

But, there are two other critical aspects of national security which are equally important. One is the strength of a nation's industrial and civilian economy; the other is its independence in international policy—its freedom from foreign coercion.

These three elements of national security are interdependent—they cannot be separated. A powerful defense machine cannot be achieved without a strong economy; a stable and growing economy requires the protection afforded by military strength; and, a nation's political independence in its dealings with foreign governments is only as strong as its military preparedness and economic power.

The United States has risen to world leadership on the basis of its national security—its military defense capability, economic strength, and freedom from foreign coercion. But it is highly doubtful that this position could have been attained without an additional security—security of energy supply. Assured domestic energy resources have been the foundation of U S. national security.

This fact, therefore, is the prime consideration in assessing the degree to which this nation should rely on potentially unstable foreign sources of oil—the fuel which is the prime supplier of U.S. energy needs. And, in light of the recommendations of the Cabinet Task Force on Oil Import Control that will, if adopted, lead to greater U.S. dependence on foreign oil supplies. it is important and appropriate that questions concerning the relevancy and even the adequacy of the national security standard be considered anew.

For, at any given time, in any given circumstances, the determination of the national security is a function of perception, perspective, and information. There have been great changes in recent years in the American perception of national security. Today, our national interests are turning more and more to the priorities of peace, and our national perceptions are turning with them. Thus, it is not difficult to understand why there might develop an inclination to regard national security as an obsolete and expendable basis for our national policy with regard to the control of oil imports. The concept of security—military security, economic strength, assured civilian needs, and international diplomacy—must, therefore, be evaluated in the perspective of the present and future, not only of the past.

Over the past fifty-eight years, since petroleum became essential to the requirements of our armed forces, the United States has experienced one year of war for every two years of peace.

Over the past twenty-five years, since the end of World War II, we have experienced one year of war for every one and one-half years of peace.

Over the past eleven years, since the institution of the Mandatory Oil Import Control Program, we have had two years of war for every one year of peace.

This is a sobering chronicle. While Americans yearn for peace nothing in the trends of the century supports or justifies the assumption that we can prudently be less concerned about providing for our national security in military terms. This has particular pertinence in regard to policies on petroleum.

Since World War II, the military's dependence on petroleum fuels has increased substantially as the mobility and mechanization of its striking forces grew. In fiscal 1969, the U.S. Armed Forces procured a total of 398 million barrels of oil.

Yet, there is an essential difference between the strategic character of petroleum and the machinery of defense, as pointed out by Richard T. Mathews, Special Assistant for Petroleum, Office of Assistant Secretary, Department of Defense. Speaking at the June 1969 Rocky Mountain Petroleum Economics Institute, Mr. Mathews made the following observation:

"The part that oil plays in the defense posture of the United States is vitally important. It is a strategic material and one of the few items that is absolutely essential and foremost in the minds of military commanders. Along with weapons and ammunition, the needs of petroleum get the most attention. Petroleum cannot be stockpiled like hardware—the quantities required are too great, nor can our military forces operate very long without back-up support from the petroleum industry. Military petroleum capability is actually measured in terms of refining capacities, throughput of our pipelines, capacities of our storage terminals, as well as the producibility and deliverability of crude oil in the ground. Therefore, the vital role of oil in any defense effort is crystal clear. Information available today indicates that, with few exceptions, military equipment will continue to derive energy from liquid petroleum and its products for some time to come."

Some argue that nuclear weaponry will replace conventional arms during the next major international conflict, if there should be one, thus all but eliminating the military aspect of petroleum security. But thus far, the fear of the devastating power of nuclear weapons and the possibility of retaliation have fortunately prevented their use. Nevertheless, the United States has been engaged in ten years of conventional, non-nuclear conflicts since atomic weapons first became a threat in 1945.

In light of continuing world tensions, therefore, the United States must remain militarily prepared for similar conflicts—and in order to do so, the nation must remain secure in terms of its domestic petroleum supplies. The United States cannot risk the strength of its military defense on substantial amounts of potentially insecure foreign oil supplies. For, on any measure that we apply, the military requirements for petroleum have been and will continue to increase steadily year by year. If war ended tomorrow, if our men and our might could be deployed solely for purposes of keeping peace, the relative military requirements for petroleum would continue to rise.

On this basis, I respectfully submit that this is no time for us to lessen the importance of national security as the governing standard of our oil import policies.

The Trade Agreements Extension Act of 1958 also established a second priority for invoking the national security clause. The language of that act specifies that—

> "The President shall further recognize the close relation of the economic welfare of the nation to our national security."

This is not a subordinate priority. In many respects, it may even be primary. No definition of national security is responsible or realistic unless it acknowledges that in the 1970's the United States would cease to function as an organized society without adequate supplies of petroleum.

We are living with new realities. One of those realities which we must recognize and allow for in our planning and policy-making is the new dimension of American dependence on petroleum.

At the beginning of the 1950's, barely sixty per cent of the total energy requirements of the United States were being met by petroleum. Now, that dependency has reached seventy-five per cent. Our industrial life, our family life, the life and being of our society rely upon petroleum to an extent without precedent in the past. Every industrial process in our economy requires petroleum in some form. Nine out of ten households are heated by oil and gas. Eight out of ten members of the American labor force rely on private automobiles for daily transportation to their places of employment. In the newly urbanized, metropolitan America of the 1970's, the very existence of our cities depends in the most critical way upon petroleum supplies.

This has created a new dimension for our concepts of national security. Without war, without nuclear attack, without any overtly hostile act directly against this nation or our forces, the United States is peculiarly vulnerable today—as at no other time in the past—to any interruption in or interdiction of its petroleum supplies.

Were this nation dependent to a greater degree on insecure foreign sources of petroleum energy, the risk of a supply interruption would be borne across the nation. If such a risk became a reality, the consequences to industry, and in fact, the entire economy would be vast. For the ramifications of a strong and stable domestic petroleum producing industry extend throughout the economy—both civilian and industrial—and any weakening of the domestic industry would have an equally broad economic impact.

The point is impressive and compelling. On any measure that we apply, the national security of the United States is intricately and inescapably intertwined with assuring adequate and uninterrupted petroleum supplies to satisfy the needs of the economy and the society. This is not the time to adopt a timetable for abandonment of national security as the governing standard of our oil import policies.

Domestic petroleum capability must remain strong to retain the freedom the United States now has from foreign diplomatic coercion. If this nation did not have secure domestic petroleum supplies, the United States might soon find that its international diplomacy had to be attuned to its petroleum needs.

Fortunately, the United States is not in such a position—it has secure domestic petroleum supplies. And with world tensions as they are, the United States cannot afford to lessen its petroleum security, and thus, lessen its independence from coercion in international diplomacy.

Additionally, any thorough consideration of national security must include petroleum security in times of crisis. In light of the various forms that free world petroleum supply interruptions have taken in recent years, and the potential consequences they have posed to U.S. national security, it is imperative that the domestic petroleum industry remain sufficiently strong to safeguard this nation's needs for assured oil and gas supplies.

The most recent oil supply crisis occurred during 1967 when fighting broke out between the Arab nations and Israel. Suddenly, the Middle East was the scene of open hostility for the second time in ten years—and just as suddenly, nations throughout the world faced an interruption of their oil supply which normally flowed from the Arab States. The Suez Canal was closed to traffic—and remains closed today—and crude oil shipments to the North American continent and European Allies were embargoed by the Arab States.

Since the United States was only dependent on Arab State oil for approximately three per cent of its crude oil requirements, the impact of the supply crisis was barely felt in this country. Western Europe, however, faced a serious shortage of oil—in some cases, as much as eighty per cent of national requirements. It, therefore, became apparent that the United States would have to step in and expand its domestic crude oil production and exports to help make up for the shortages. Both needs were met.

From June through December 1967, the U.S. Gulf Coast shipped nearly 25 million additional barrels of crude oil to the East Coast of Canada and Europe. Canada's share of this above-normal Gulf Coast export trade totaled nearly 4 million barrels, while the European Allies received nearly 21 million barrels of additional crude oil from this country during the last half of 1967.

What this added export capability meant to the Allies of the United States is apparent. England, for example, normally depended on oil from the Arab States for nearly seventy per cent of her requirements, with the United States historically supplying less than one per cent. Yet, during the 1967 Middle East Crisis, this nation was able to supply England with twenty per cent of her crude oil needs—a supply which helped England avoid a critical fuel shortage.

The Cabinet Task Force majority report implies that if this nation were significantly more dependent on Middle East oil in 1980—as it would be if the tariff proposal were adopted—and if a similar oil supply disruption occurred that year, additional Venezuelan and Canadian exports would be available to make up the U.S. supply deficit. But this is not what happened during the 1967 Middle East Crisis.

At its peak rate of output during the Crisis, Venezuelan crude oil production was only increased by some 400 thousand barrels daily—as compared to a one million barrel per day increase in U.S. production. But, even more significant is the fact that Venezuelan crude exports to the United States during 1967 were actually 10 million barrels less than in the previous year. The reason for the drop in Venezuelan oil export trade to the U.S. was the fact that Venezuela had to redirect its shipments of oil during the Crisis to make up for overseas shortages—particularly in Europe, but in Canada as well.

Eastern Canada has historically depended on the Middle East for approximately one-half of its crude oil supply. When this supply was abruptly halted during the 1967 Crisis, Canada's crude oil production was only stepped-up by somewhat more than 100 thousand barrels a day and its pipeline capacity proved inadequate to move vital oil supplies from its western producing provinces to its shortage-ridden eastern coast. The United States and Venezuela, therefore, had to step in and help alleviate eastern Canada's potential oil supply crisis.

It is not, therefore, safe to conclude that Canada and Venezuela could come to the rescue of the United States during a 1980 oil supply crisis. Venezuela had to cut its shipments of oil to the U.S. in 1967, and the United States had to increase its exports to Canada to help alleviate a serious oil shortage in that country.

As a further alternative in a supply interruption, the Task Force suggests that rationing could tide the country through a prolonged crisis. They assume that a ten per cent reduction in domestic consumption could be achieved in this way.

Yet, a study by the Office of Emergency Preparedness concluded that a ten per cent reduction in total civilian petroleum requirements in a non-war crisis would be a "severe" limitation. This ten per cent rationing would all fall on motor gasoline consumption and would imply a reduction of substantially more than ten per cent. Even more important perhaps is the fact that rationing in peacetime supply crises would be highly unpopular and difficult to justify to the public.

In the final analysis, to measure a nation's security, it is necessary to measure its vulnerability. By this test, the proposals of the Cabinet Task Force on Oil Import Control could only—and would only—have the effect of increasing the vulnerability of the United States, and, correspondingly, diminishing its security.

This is not rhetorical conjecture. The objective and intent of the phased retreat from controls on foreign oil imports is deliberately to increase the inflow into the United States of petroleum produced abroad. It is not necessary for me to add to the Committee's already copious records from the past establishing the correlation between rising imports and lowering levels of domestic exploration. The course proposed would have the inevitable consequence of increasing the dependence of the United States on petroleum produced abroad.

The distribution of the world's oil reserves is such that the only area which could possibly satisfy the demands of the American market is the Middle East. Outside the United States and Canada, close to ninety per cent of the Free World's reserves are located in the Middle East and neighboring North Africa.

We know from the record the implications of resting our national security upon the petroleum supplies of the Middle East.

Over the quarter century since World War II, this is what has happened in the Middle East, even without a general war.

In 1948, at the start of the Arab-Israeli War, Iraq shut down a pipeline to the Mediterranean at considerable financial loss to itself and prohibited completion of other lines—lines which remain unfinished.

In 1951, Iran seized the properties of the Anglo-Iranian Oil Company, and production was shut down for three years.

In 1956–57, during the Arab-Israeli War, the Suez Canal was closed and the pipeline from Iraq to the Mediterranean was sabotaged.

In 1961, Iraq seized a giant undeveloped oil field. This issue remains unresolved, and Russian intervention has been reported.

In 1966, Syria shut down the Iraq Petroleum Company pipelines which cross its territory.

In 1967, at the start of the Arab-Israeli War, Arab producers temporarily halted production; the Trans-Arabian Pipeline was shut down; shipment of oil to the United States, United Kingdom and West Germany were embargoed and the Suez Canal was closed, and remains closed.

In 1969, the Trans-Arabian Pipeline was sabotaged by Arab guerillas on several occasions.

In 1970, at present, the Trans-Arabian Pipeline is shut down because Syria has refused to permit repairs of an accidental break in the line.

Between 1967 and 1970, Nigerian production was substantially reduced during much of its civil war.

The consequences to the United States of adopting a policy of reliance upon petroleum from the Middle East are not conjecture. This record I have recited demonstrates that interruptions in supply are commonplace, that they are occuring with greater frequency, that their scope is increasing. Without the introduction of any external influence into the area, dependence upon Middle East production would, because of the clearly volatile nature of the region, sharply increase the vulnerability of the United States to serious distruptions. Yet we cannot ignore the growing evidence of a widening and aggressive influence in the Middle East from the Soviet Union. For example—arming, re-arming, and training Syria and Egypt's armed forces; a naval task force in the Mediterranean; an agreement to assist the governments of Iraq and Algeria in petroleum development; and the building of a pipeline to tap Iranian gas reserves.

No one can predict when a solution will be found for the basic Middle East hostilities, or when peace will be attained in that area of the world. And until stability is reached, the Free World will face the possibility that the flow of vital oil supplies from the Middle East may again be disrupted—at any time, and for any reason. For the Arab nations have used their oil resources for political purposes in the past, and have threatened to do so again. On May 14, 1970, Mr. Tomeh, the Syrian Representative to the United Nations, made the following statement to the U. N. Security Council:

> ". . . I would remind the Council of what the Ambassador from Saudi Arabia said to the Council two days ago. If the United States Government and those which have interests in our area cannot achieve any positive action to stop the international brigand, the robber-baron state, Israel, from continuing its criminality, then the Arab people—and let the United States representative heed my advice—will be absolutely free to think about ways to guarantee that its own resources shall be exploited by the Arabs in the best possible manner."

Mr. Tomeh's words are indeed a warning—the United States cannot afford to become dependent on the Middle East for vital oil supplies. Too much is at stake—from the standpoint of U.S. national security, and the importance of assured supplies of oil and natural gas to the economy, and to each American consumer.

The objective of an assured domestic oil capability for national security was not overlooked by the Cabinet Task Force. Even those members who supported the Task Force recommendations have expressed serious reservations about the impact of the tariff proposal on national security. For example:

The Secretary of State: "basic changes in an oil import program of long standing might provoke serious adverse reactions which could have an important bearing on national security."

The Secretary of the Treasury: "Our domestic industry will be expected and encouraged to continue to expand its output and to explore for and develop new sources of crude oil and substitutes; the revised oil import control system should be so managed as to work toward this goal."

The Secretary of Defense: ". . . it is extremely important that the program be carefully administered and security considerations be paramount. Defense would consider (it) . . . to be essential . . . that domestic exploration be maintained at approximately current rates and that no reduction in reserves be allowed."

The Secretaries of the Interior and Commerce: "If not restricted, imports of lower-cost oil would enter in such volume as to destroy much of the existing crude oil producing industry of the U.S. in the next decade. This would render the nation heavily dependent on foreign production and would pose a demonstrable threat to the national security unless such production were certain to be available under any conditions."

Mr. Chairman, in conclusion, we *are* living with new realities.

Over the lifetime of both the oldest and the youngest Americans in this room, the position of the United States, as both a petroleum producer and petroleum consumer, has changed beyond measurement, almost beyond comprehension. No statistics, no projections, no comparisons can fully reflect either the extent or the consequences of that change. When, in this context, we talk of national security, we are talking of a new factor about which there is little tested and certain knowledge.

The past affords little relevant guidance.

If we consider all the elements of national security—military, economic and diplomatic security—it is abundantly evident that they have added a wholly new scale and dimension to our requirements.

It is my hope, that during the decade of the 1970's we shall all be able to lay aside the prejudices and preconceptions of the past, and begin to guide our public dialogue as well as our public policy by the new realities with which we live.

In this, there is only one acceptable standard to guide and govern us, and that is the national security. If that standard is served, neither producer nor consumer has just cause for complaint. If that standard is not honored, then all Americans—all free men everywhere—will suffer.

The new realities of a changing world do not permit the United States to abandon the standard of national security as the governing standard for our oil import control program.

Statment on Oil Imports Before House Ways and Means Committee, June 3, 1970, by M. A. Wright on Behalf of Humble Oil & Refining Company and Standard Oil Company (New Jersey)

INTRODUCTION

The House Ways and Means Committee has before it a number of proposed amendments to the Trade Expansion Act of 1962. While the matter of oil import control is not dealt with explicitly in either the Administration Bill H.R. 14870 or H.R. 16920, it is, nevertheless, important to consider the oil import control program, established under the national security provision of the Trade Expansion Act, as it relates to U.S. trade policy.

Section 232 of the Trade Expansion Act of 1962 authorizes the President, with the advice of the Director of the Office of Emergency Preparedness, to ". . . take such action, and for such time, as he deems necessary to adjust the imports of such article and its derivatives so that such imports will not so threaten to impair the national security" (Section 232b). This section, together with earlier legislation, provides the legal basis for the current oil import program which was established in 1959.

A special Cabinet Task Force, chaired by the Secretary of Labor, Mr. Shultz, completed a detailed review of this program in February. The final report of the Task Force recommended that the present system of quotas be replaced by a system of preferential tariffs designed initially to reduce the domestic crude price about 30¢ per barrel. It is our view that this proposal would seriously affect the ability of our Country to meet its civilian and military requirements for petroleum in the event of a national emergency. Recognizing such a possibility, this statement is directed to the conclusions and the underlying analysis presented in the Task Force Report. It explains why we do not believe that the conclusions of the Report should become the basis for trade policy or for national security decisions.

This statement deals with the U.S. energy picture and petroleum supply and demand over the next ten to fifteen years and examines the Task Force analysis of these topics. There are also serious economic and balance of payments implications, and these and other issues are covered in the other API statements.

At the outset, it should be emphasized that the Task Force study has contributed to a clearer understanding of the intended objective in establishing oil import controls. The Task Force clearly recognized the security implications of oil imports and concluded that "The statute makes clear that the guiding criterion (for controlling oil imports) is national security; imports are to be adjusted on the extent necessary to prevent impairment of the national security" (par. 111, p. 7). The Task Force correctly points out that national security encompasses more than military considerations. Maintaining the strength of our domestic economy and our relations with foreign countries are also important aspects of national security (pars. 115 and 116, p. 8).

While there may be differences as to the degree or type of constraint envisioned, we are in agreement with the unanimous conclusion of the Task Force that some form of oil import control is necessary to maintain security of petroleum supply (par. 423, p. 129). We believe that the most realistic approach involves some form of quantitative limitation.

To provide stricter adherence to the basic objective of national security, the President has established the Oil Policy Committee to give advice to the Director of the Office of Emergency Preparedness on the policy direction, coordination, and surveillance of the imports program. The day-to-day administrative function is to remain in the Oil Imports Administration. We commend this move. Hopefully, this change will stabilize the oil import program and prevent its use for purposes unrelated to national security.

Efforts to promote economic development, expand U.S. exports and aid small business are commendable in their own right, but as the Task Force Report points out, ". . . it is questionable whether import quotas should be used for collateral purposes deemed socially desirable" (par. 307a, p. 73). We are, therefore, in agreement with the Task Force on a number of its recommendations for improving the effectiveness of the current oil import program.

The findings of the Task Force also demonstrate the widsom of initiating U.S. discussions with Canada to establish compatible policies on energy. We also concur in the Task Force recommendation that recognition be given io the special national security role for the U.S., of Venezuela, and other Latin American sources of supply.

PETROLEUM OUTLOOK WITH CONTROLS

As the President noted in his February 20 statement concerning the Task Force Report, "Reasonable men can and will differ about the information, premises and conclusions contained in the report." We are no exception. There are important areas where our views coincide with those of the Task Force. We find serious fault, however, with the Task Force analysis of U.S. security of oil supply under the various price assumptions postulated in their study. Their recommendations, which are based on this analysis, pose a far greater threat to that security than the Task Force concludes.

Program planning and policy formulation at federal, state, and local government levels should not be based on analyses which give extreme or improbable results. Determining maximum and minimum possible results is an integral part of planning, but to base government policy on estimates of the most optimistic set of circumstances is hazardous at best. In the case of oil import control, we are dealing with an essential energy source which is fundamental to all other activity in the country. It is imperative, therefore, that the resulting policy minimize the risk of overoptimism regarding the security of U.S. oil supplies.

This paper contains a detailed examination of the reasonableness of the Task Force analysis, with particular emphasis on the ability of the U.S. petroleum industry to respond in an emergency, and the Task Force assumptions regarding Western Hemisphere supply capability. It demonstrates that the Task Force has based its analysis and conclusions on optimistic and at times extreme assumptions and questions whether the Task Force analysis provides a reasonable basis for government policy determination.

ENERGY AND PETROLEUM DEMAND

It is important to begin this discussion of the oil imports problem by summarizing the overall United States energy demand, and oil's role in supplying a share of that demand. Our forecast of energy demand shows an average annual growth rate of 4.2 percent over the next ten years. This growth in demand was carefully built up by examining in detail the major energy demand elements in each consuming sector of the economy. It is consistent with past energy growth rates and accepted projections of growth in population and Gross National Product. It is essentially unchanged from the forecast used as a basis for our 1969 submission to the Oil Imports Task Force.

While our long-range projection of total energy requirements has not changed, recent developments have altered our assessment of the role of specific fuels in meeting these requirements.

Figure 1 summarizes our forecast of total energy demand (on an input basis), and the relative share for each consuming sector. None of the consuming sectors exhibit a marked departure from historical trends. The "Conversion and Transmission" sector accounts for energy expended in the generation and transmission of electricity. Since the demand for electrical power is expected to continue to grow at rates averaging nearly seven percent per year during the forecast period, the energy consumed in its generation and transmission will also grow at a faster rate than overall energy demand, reaching a substantial portion of the total with the passage of time.

Competition among the several fuels required to meet this demand is strongly affected by supply availability, economic, regulatory and technological factors. The top line on Figure 2 again represents our forecast of total energy demand. The various layers shown represent the historical and forecast contributions of the individual fuels to the total.

Starting at the top of the chart, nuclear energy is just now beginning to make significant contributions to energy needs. By 1985, nuclear energy is forecast to provide about eleven percent of total energy demand.

A key factor in meeting expected energy demand is nuclear power plant capacity. Published AEC forecasts indicate a rather smooth buildup to an estimated 130–170 thousand megawatts of nuclear capacity by 1980. However, fabrication, construction, and licensing delays have seriously retarded this schedule. An actual count of nuclear plants that have been built, contracted, ordered and tentatively announced indicates that 100 thousand megawatts of capacity by 1980 is a more realistic figure. Plant construction is running 2 to 3 years behind schedule and an overall lead time of 6 to 7 years is now required for new nuclear plants. A crash program would be required to exceed 100 thousand megawatts by 1980. Our forecast of growth in capacity from 1980 to 1985 implies that the economics and operating reliability of the 1,000 megawatt class nuclear units now being built will be proven by the mid-1970's, and that the questions concerning radiation and thermal pollution will have been resolved. Our nuclear forecast beyond 1980 is possibly optimistic, however, in that it implies that an additional 1,000 megawatts of capacity would come onstream every two weeks from 1980 to 1985. This level of activity is difficult to visualize, but it underscores the huge amounts of electrical energy which will be required.

Continued growth in hydroelectric energy is expected. However, this growth is limited by the availability of economic sites.

Continuing down the chart, coal has contributed an importnat share of the nation's energy in the past. We forecast a resurgence in coal's growth beyond 1975. Currently, however, spare coal producing capacity is low, and above-ground inventories have been declining. The coal forecast for the next five years shows only slight growth, and is influenced heavily by air quality considerations and recent mine safety regulations. Beyond 1975, increased demands for coal will occur in response to the time lags in nuclear power plant construction, limited natural gas supply, and the national security considerations attendant to oil imports. This projected growth in coal demand is, however, contingent on the development of technology, particularly for flue gas desulfurization, which will permit the use of coal within the framework of the air conservation regulations expected to prevail.

Petroleum in the form of gas and oil accounts for two-thirds to three-fourths of energy requirements in the entire 25-year period shown here. Each warrants detailed discussion.

Natural gas is our second largest source of energy. While we expect it to maintain this position during the forecast period, dwindling reserves portend a declining contribution from gas in meeting the overall growth in energy demand.

The demand for gas would grow steadily over the next 15 years if adequate supplies were available. This potential demand is shown on Figure 3. However, the forecast inability of natural gas to continue to supply its share of energy demand growth is also illustrated. Production from the lower 48 states is expected to peak in 1973. Gas from Alaska is shown separately and includes North Slope volumes starting in 1976. While overland imports, primarily from Canada, are projected to more than triple, they are forecast to provide only 11 percent of supply by 1985. A simple projection of the demand line at current growth rates reveals a serious gas supply gap of increasingly larger proportions. This gap could be even larger considering the likely increase in demand resulting from efforts to control air quality. This supply shortage is now generally recognized by the FPC and the distribution companies. The impact of this shortage on the supply of U.S. based energy and current efforts to clean up our environment will be significant.

Our analysis of the growth in U.S. liquid petroleum demand is summarized on Figure 4. As indicated, oil demand will continue to grow over the next 15 years at its historic rate of about 4 percent per year. Transportation demand is also forecast to grow at historic rates. The use of oil for residential-commercial space heating may peak in the early 1980's, giving way to gas and electricity. Industrial demand for oil is expected to increase steadily in the absence of economic alternatives to meet air pollution controls. Electric utilities are forecast to continue to increase their demand for heavy fuel oil, where it is available or required, as a substitute for high sulfur coal initially, and later for gas as gas supplies tighten.

A more detailed discussion of the outlook for heavy fuel oil, as shown on Figure 5, provides an insight into the changing role of oil in meeting future energy demand. While heavy fuel oil demand is not expected to increase for transportation or residential-commercial heating requirements, it is expected to assume increasing importance as an energy source for electricity generation and industrial use.

For the ten years through 1968, the use of heavy fuel oil grew only 1.9 percent per year. In 1969, however, demand jumped almost 10 percent to an all-time high of two million barrels per day. This surge was due in large measure to the needs of electric utilities, which have had no viable alternative because of delays in nuclear construction, the shortage of gas, and the inability to meet clean air standards with coal. We expect this situation to persist until the mid-1970's, when solutions to nuclear construction problems and emergence of stack gas desulfurization technology could mitigate the growth of heavy fuel oil in utility use. However, industrial consumption of heavy fuel oil is expected to continue to grow rapidly.

In the late 1970's synthetic fuels will become a part of the total fuel spectrum and will reach about three percent of U.S. energy by 1985. This will include synthetic oil and gas from coal and oil from shale. The timing and magnitude of synthetic fuel production is critically dependent on two factors—the development of economically viable technology and a national policy which would encourage the utilization of these resources.

In summarixing the energy supply picture, delay in construction of nuclear generating capacity has resulted in a growing demand for fossil fuels as a power plant fuel. Growth in the use of coal is expected to be limited in the shorter term due to its high sulfur content. Natural gas cannot be expected to provide its previous share of growth due to supply limitations. The combined effect of air quality considerations, pending shortages of clean fuel alternatives, and slowdowns in nuclear facility construction have placed a sudden and severe supply burden on petroleum that is expected to continue over a period of years.

As a result of these factors, we forecast total U.S. petroleum demand, including Puerto Rican demand, bonded fuels and U.S. military offshore procurement, to be 22.7 million barrels per day in 1980 and 26.8 million barrels per day in 1985. This is about 12 percent higher (2.7 million barrels per day in 1980 and 3.4 million barrels per day in 1985) than our forecast of a year ago, due in large part to more stringent environmental regulations and the supply problems for other energy sources.

The petroleum policies of this nation will be a major factor in determining our ability to meet these requirements from secure sources. Our analysis considers the U.S. supply and demand balance for two cases: (a) the situation with a continuation of existing import controls and tax laws, and (b) the situation if import controls are changed along the lines suggested by the Task Force.

Reserve additions and production

Figure 6 shows our current estimate of U.S. liquid petroleum demand and the principal sources of supply. These are the results we forecast, assuming continued oil import controls and the current economic environment. As will be developed more fully later, imports will be required to play an increasingly important role in the supply balance.

Also important is the large amount of future U.S. production which must come from reserves yet to be found. In 1980, 5.8 million barrels per day, or 45 percent of total U.S. production, is forecast to come from oil reserves not yet found. This is expected to increase to 55 percent in 1985.

To permit these forecast levels of production, it will be necessary to find and develop an additional 48 billion barrels of oil over the next 15 years. To put this number in perspective, it represents about 40 percent as much oil as has been discovered in the United States in the entire history of the oil industry, or over one and one-half times the remaining known U.S. reserves in the lower 48 states.

If all exploration activities were suddenly terminated, and the forecast 48 billion barrels were not found, U.S. production would decline generally as shown along the bottom line of this chart.

The line reflecting the total of production from known and future reserves includes our forecast of production from the North Slope of Alaska and is adjusted for the effects of the Tax Reform Act of 1969, which will be discussed in more detail.

Alaskan potential

Much has been said publicly about the oil potential of Alaska's North Slope, and it would be helpful to discuss this area in some detail. Humble included expected North Slope reserves in the "Production from Future Reserves" category in data submitted to the Oil Import Task Force last year. At that time, the September 1969 lease sale on the North Slope precluded being very specific. Since then reserves of about 10 billion barrels have been confirmed on the North Slope in the Prudhoe Bay discovery. Production from these reserves is included in the "Booked and Known Reserve" portion of the chart.

The Task Force Report placed considerable reliance on the North Slope of Alaska for future reserve additions and production. At one point in the Report, it is stated that "recoverable reserves of 40 billion barrels on the North Slope of Alaska would not surprise us," (par. 228e, p. 40) although in fairness it should be pointed out that the Task Force figures for North Slope are based on asomewhat lower estimate. Our assessment of North Slope potential suggests that production rates in 1980 would be approximately 2 million barrels per day, assuming that the present economic environment would continue. This would be 1.7 million barrels per day less than the amount assumed by the Task Force.

It is important to point out why North Slope discoveries over the initial 10 to 15 years of exploration will probably be lower than some of the high forecasts that have been made, even with current import controls. The map in Figure 7 illustrates the geography of Alaska. The North Slope represents only about 11 percent of the total area. Excluding Naval Petroleum Reserve No. 4 and the Arctic National Wildlife Refuge, the exploration potential is limited to only about one-third of the North Slope area. The prime exploration acreage lies in a band north of the Brooks Range that is only 30 miles wide (N–S) and 120 miles long (E–W). Until NPR 4 and the Wildlife Refuge are made available for exploration, future North Slope reserve additions must come from this area and possibly the adjacent offshore area out to the neighboring islands.

Considerable drilling has already taken place on the North Slope outside the Prudhoe Bay field. Some indication of this activity is indicated on the map. The probability of finding another Prudhoe Bay in the remaining undrilled areas decreases with each unsuccessful exploratory well drilled. Our estimates suggest, therefore, that not more than an additional 10 billion barrels will be found on the North Slope by 1985, bringing total discovered reserves for this area to 20 billion barrels.

The considerable activity we are witnessing on the North Slope is one example of the success of current import controls. If in the past foreign oil had been allowed to come into the U.S. uncontrolled, domestic crude oil prices would not have been sufficient to provide the incentives to explore in this remote area.

U.S. SUPPLY/DEMAND BALANCE: CURRENT PRICES

To fully assess the national security implications of the supply/demand forecasts, it is necessary to examine in more detail the sources of U.S. imports. Figure 8 shows our estimate of the U.S. supply/demand balance for 1980, assuming continuation of present U.S. crude oil prices and existing tax laws. It also includes the estimates made by the Task Force in its $3.30, or current price, case which we understand did not reflect the impact of the 1969 Reform Act.

As shown in the column on the left, the Task Force estimated total U.S. petroleum demand at 19.3 million barrels per day, including Puerto Rican demand, bonded fuels and military offshore procurement. They assumed a growth rate of 3.0 percent per year for onshore demand.

Our current best estimate of total U.S. petroleum demand in 1980 is 22.7 million barrels per day or about 12 percent higher than our forecast of a year ago. This revised forecast is supported by the underlying analyses of future interfuel competition and total U.S. energy requirements discussed earlier; the results of these analyses are consistent with the historic growth rate of petroleum liquids of 4.2 percent per year which has persisted over the past twenty years. This forecast is 3.4 million barrels per day higher than the estimates of the Task Force. We are confident, however, that if the Task Force reexamined the situation today, they too would see a higher future demand for petroleum liquids.

Turning from demand estimates to the supply side, we conclude that the Task Force has been overly optimistic in its assessments of the Western Hemisphere sources of supply. Their forecast of 1980 U.S. production is approximately one million barrels per day higher than our projection of 12.6 million barrels per day. In our judgment the North Slope potential is not as great as they assumed, and the full impact of the new tax law has not been reflected in their forecast.

We also feel that the Task Force has overstated potential supplies available from other Western Hemisphere sources. Their estimate of Canadian and Latin American supplies exceeds ours by about 1¾ million barrels per day. Imperial Oil Company and Creole Petroleum Corporation, major affiliates of Standard Oil Company (New Jersey) operating in Canada and Venezuela, respectively, have carefully reviewed the supply and demand outlooks for these two important areas. We have also sought the advice of our other affiliates in Latin America. The comments which follow are based on these assessments.

Canadian Imports: $3.30 Case

Significantly higher U.S. oil imports from Canada than we have forecast would require an unusually high degree of success in Canadian frontier exploration. The 1.6 million barrels per day of oil imports from Canada shown in the table requires the discovery and development of about 7 billion barrels of reserves in the Canadian frontier areas by 1980, plus a reasonable continuation of discoveries in established areas. Transportation facilities to move the oil to market would also have to be developed. Canadian frontiers are regarded as highly prospective areas, but no actual reserves have been booked there to date. Furthermore, the total discoveries in Canada in the past two decades amount to only 13 billion barrels.

An export potential of up to one million barrels a day higher than shown might be available by 1980. However, we believe it would be imprudent at this time to formulate policy on the basis of the highly successful finding rate this production level implies, particularly in view of the fact that the additional oil available for export by 1980 would need to be discovered and developed early enough in the decade to permit resolution of the major logistics problems involved.

The Task Force has estimated that Canada will have a producing potential in excess of 6 million barrels per day by 1980 and will be exporting 2.6 million barrels per day to the United States. Of this 6 million barrels per day, one million barrels per day represents estimated production from tar sands which will be discussed below. We estimate that for Canada to achieve a 5 million barrel per day capacity from conventional sources, it would be necessary to find and develop for market about 25 billion barrels of oil reserves between now and 1980, or more than twice the amount of all oil found in all of Canada over the past twenty years. In our opinion, this would appear virtually impossible in this time period.

With respect to tar sands, the Task Force report refers to "300 billion barrels of economically recoverable reserves." While the abundance of tar sand reserves is not questioned, we believe that, in view of disappointing economic results from the only plant now in operation, 1980 production from tar sands would not exceed 200 thousand barrels per day compared to the 1 million barrels per day Task Force estimate.

It is appropriate to point out also that the indicated volume of Canadian exports assumes public policies involving Canadian utilization of local production to cover 75 percent of Canadian demand. The attainment of the overall Canadian capability further assumes the resolution of U.S. import policies in such a fashion that explorers for Canadian petroleum reserves will be confident that a ready U.S. market is available under the conditions described.

Latin American Imports: $3.30 Case

We expect that U.S. imports from Latin America will be about 2.0 million barrels per day in 1980. The estimate used by the Task Force is 2.7 million barrels per day. In our view, the lower estimate reflects a more realistic assessment of future Latin American production capabilities and local demands.

The Task Force estimate of U.S. imports from Latin America is based on an assumed Latin American production rate of 8.2 million barrels per day. Most of this production, specifically, 5.4 million barrels per day, is assumed to come from Venezuela. But our current estimates show that Venezuelan production in 1980 will not significantly exceed the current level of about 3.6 million barrels per day. Anticipated production from new service contract areas, particularly in the Gulf of Venezuela, will probably be sufficient only to offset expected declines in production from existing concessions and will depend on the timely development of service contract areas. Even accepting the Task Force's assessment of future production possibilities in the rest of Latin America, their estimate of total Latin American production in 1980 is probably 20 to 25 percent too high.

Eastern Hemisphere Imports: $3.30 Case

In both the Task Force's analysis and our own, Eastern Hemisphere imports are used to balance U.S. demand after drawing on available Western Hemisphere supplies. Based on our estimate of U.S. demand and Western Hemisphere supply, it is indicated that the U.S. would rely on Eastern Hemisphere sources for 6.5 million barrels per day of supply in 1980, or 29 percent of total requirements. The Task Force estimated, however, that only 500 thousand barrels per day of Eastern Hemisphere crude would be needed. Viewed another way, the Task Force concludes that U.S. oil imports from the Eastern Hemisphere would be virtually the same 10 years from now as they were in 1969. Our estimates further indicate that by 1985, Eastern Hemisphere imports would increase to 10.0 million barrels per day. The prospect of such a supply/demand balance must in our view raise serious questions concerning future U.S. petroleum policies, even with no reduction in crude prices or additional taxes.

EFFECT OF TAX REFORM ACT

The forecast of domestic petroleum liquids production shown in Figure 6 recognizes the effect of the 1969 Tax Reform Act. More specific comments about the effect of the new tax law are appropriate at this point.

Summarized in Figure 9 are the effective reductions in net cash flow to the producing industry resulting from higher federal taxes under the new law. Based on our estimate of the level of operations in 1969, the depletion allowance (including production payment effects) accounts for about $370 million per year or a little over one-half of the total effect of $700 million. To offset this total effect on cash flow, crude oil prices would have to rise by about 35¢ per barrel. If the effect is spread proportionately over oil and gas, prices of each would have to rise to offset the increased tax burden—25¢ for oil and 2¢ for gas. The effect of the new tax law alone is about equivalent to the 30¢ per barrel crude oil price reduction recommended by the Task Force.

The economic attractiveness of petroleum exploration has been affected adversely by the 1969 Tax Law. Additionally, the capital available for exploration has been reduced. The net effect will be a reduction in oil and gas reserve additions and subsequently in domestic oil and gas production.

U.S. PETROLEUM PRODUCTION UNDER DIFFERENT ECONOMIC ENVIRONMENTS

Our assessment of the total effect of the new tax law on our forecast of future petroleum liquids production, which was discussed earlier, is indicated on Figure 10. Production levels represented by the *solid line* titled "Base Case" are identical to the forecast included in Figure 6.

The top line (*dashed line*), titled "Before Tax Bill," describes the probable production if the tax laws existing prior to the 1969 Tax Reform Act had continued. We now estimate that expected exploration activity will lead to discoveries of 48 billion barrels between 1970 and 1985, a reduction of 19 percent or 11 billion barrels from our earlier estimates. As a result, our projection of crude oil production is down by approximately 10 percent or 1.2 million barrels per day in 1980 and by 2.1 million barrels per day in 1985.

The Task Force findings have had the effect of injecting an additional level of uncertainty through their emphasis on crude price reduction. The Task Force recommended replacing present oil import controls with a tariff system designed to reduce domestic crude oil prices at least 30¢ per barrel at the wellhead. The Chairman of the Task Force concluded that crude oil prices could be reduced by 80¢ per barrel without endangering national security. Also, there was considerable emphasis in the analytical work of the Task Force Report on the $2.50, or 80¢ price reduction case.

There is a substantial time lag between the decision to undertake exploration activity and the realization of production from the reserves found. The possibility of lower prices would weigh heavily on investment decisions, which are based on expectations of the future economic environment. The adverse psychological effect on exploration and development outlays resulting from the threat of further price reductions might have the same effect as actually reducing the price. The two lower lines on Figure 10 show our estimate of the effect on future U.S. production of reductions in U.S. prices of 30¢ and 80¢ per barrel. We estimate the impact on future additions to reserves from 1970 to 1985 to be severe. Under an 80¢ reduction, reserve additions would be 23 billion barrels or less than half our base case.

While the Task Force Report did not clearly delineate the effect of proposed changes in the oil import program on oil and gas reserve additions, the Secretary of Defense conditioned his approval of the Report's recommendations on the maintenance of U.S. exploratory efforts at approximately current rates, and no decline in oil reserves. (p. 132) The Secretary of the Treasury qualified his approval by stating that "our domestic industry will be expected and encouraged to continue to expand its output and explore for and develop new sources of crude oil and substitutes." (p. 131) These qualifications underscore the need to examine the effects of the recommendations in the Task Force Report on the period beyond 1980, when the full impact of reduced exploratory effort would result in lower discovery rates, leading to substantially lower levels of domestic production and greater U.S. dependence on insecure sources.

SUPPLY/DEMAND BALANCE: $2.50 CASE

Figure 11 details the Task Force estimate of U.S. liquid petroleum demand, production, and imports in 1980, assuming a domestic crude oil price of $2.50 per barrel, and compares them to our current best estimates for the same time period. The $2.50 case (an 80¢ per barrel price reduction) was chosen because it is the basis for the Task Force analysis of U.S. oil security with an interruption of foreign supplies. (Tables F–J, pp. 61–64)

For demand, the Task Force has used 19.7 million barrels per day. In contrast, we have forecast a U.S. requirement of 23.5 million barrels per day, which is consistent with historical growth, adjusted upward slightly to account for increased demand due to lower prices.

Our estimates indicate that domestic petroleum liquids production in 1980 would be 9.8 million barrels per day. This is 1.2 million barrels per day less than the Task Force estimate (Table D–3, p. 49). This difference arises primarily because we have adjusted for the effect of the 1969 Tax Reform Act, and, as mentioned earlier we feel that the Task Force was optimistic in its assumptions regarding future production on the North Slope of Alaska.

We estimate that North Slope production in 1980 might be as much as 2.0 million barrels per day, which is 500 thousand barrels per day less than estimated by the Task Force. The wellhead price of crude oil on the North Slope would be reduced to about $1.00 per barrel under this case, which is only about one-third of current U.S. crude oil prices. High transportation costs to Midwest markets and the quality of the crude (high sulfur and residual content) account for such a low price. Our estimate of 1980 production at this price is not significantly different from our forecast under existing conditions simply because the bulk of the reserves to support this level of production will come from exploration already completed or under way. However, future exploration and development efforts would be reduced significantly at this low price and, in turn, production beyond 1980 would be sharply reduced.

Turning now to other Western Hemisphere export potential under the $2.50 case, we believe the Task Force has overestimated the capacity of both Canadian and Latin American supply sources.

Canadian imports: $2.50 case

As shown in the table our estimates indicate that, if the U.S. crude price were reduced by 80¢ per barrel, U.S. imports from Canada in 1980 would be a maximum of 1.5 million barrels per day, or one-half the 3.0 million barrels per day assumed by the Task Force.

The Task Force Report correctly notes that Canadian crudes enjoy a cost advantage in the Chicago area and that, for this reason, the price of Canadian oil would not decline by as much as that of U.S. oil. However, the Report understates the amount of the decline that would occur. The Task Force assumed that Canadian prices would fall only 30¢ per barrel in response to an 80¢ per barrel reduction in the price of U.S. oil. Taking account of certain quality and other important commercial factors, we would expect that Canadian crude oil prices would decline approximately 50¢ per barrel if U.S. crude prices were reduced by 80¢ per barrel. This lower price would adversely affect Canadian exploration activity.

The more fundamental reason for questioning the Task Force estimate, however, is that it would require an unrealistically high level of reserve additions under the price condition assumed. Therefore, we feel U.S. imports of Canadian crude in 1980 are not likely to exceed 1.5 million barrels per day if U.S. crude prices were reduced by 80¢ per barrel.

Latin American imports: $2.50 case

Turning to Latin America, we expect that U.S. imports would be about 2.0 million barrels per day instead of the 3.8 million assumedjby the Task Force. Our divergent views on Latin American supply potential were discussed earlier and need not be repeated here. In addition, the Task Force assumed that 1.1 million barrels a day of Latin American crude would be diverted to the U.S. from other markets as a result of the proposed Western Hemisphere tariff preference.

After deducting domestic production, and Canadian and Latin American imports from estimated U.S. demand, the remaining supply shortfall would be filled by Eastern Hemisphere crude sources, which are recognized by the Task Force as being less secure than Western Hemisphere supplies (par. 337, p. 98). As indicated, our current best estimates of petroleum supply and demand patterns would necessitate oil imports from the Eastern Hemisphere totalling 10.2 million barrels per day, or 43 percent of U.S. demand. This is 8.3 million barrels per day more than estimated by the Task Force. (Table D–C, p. 49) By 1985, imports from the Eastern Hemisphere would rise to 16.1 million barrels per day, or 58 percent of the total U.S. demand.

These estimates do not include the additional Eastern Hemisphere oil which would be needed to offset at least part of the lower natural gas production in the $2.50 case. We estimate that natural gas production would be reduced by 25 percent in 1985. A more detailed discussion of the effect of lower crude oil prices on natural gas production is provided in the appendix to this paper.

EMERGENCY SUPPLY/DEMAND BALANCE: $2.50 CASE

Using supply/demand balances similar to the one described above, the Task Force looked at a number of hypothetical supply emergencies at lower crude prices to determine how domestic petroleum demand could be met under these circumstances. Figure 12 compares our estimate of how U.S. demand would be met in an emergency in 1980 with that postulated by the Task Force. Their assessment of a six-month interruption of Arab supplies with a crude price of $2.50 per barrel, is shown. Comparisons for other emergencies would have similar and in some cases even more severe results in terms of the security of U.S. oil supplies.

The Task Force estimates that if all Arab oil were denied for six months, U.S. production plus normal imports from Canada, Latin America, and non-Arab Eastern Hemisphere countries could supply 18.3 million barrels per day or 95 percent of U.S. demand. This would indicate an immediate supply shortfall from normal production, therefore, of 1.4 million barrels per day. (Table H, p. 63) The Task Force further concludes that excess capacity available in the U.S. and from its non-Arab foreign suppliers would be more than sufficient to cover this deficit. Considering all other emergency supplies available to the U.S., the Task Force estimates that there would be a surplus of 5.7 million barrels per day over 80 percent of which would come from crude oil and product inventories in the U.S. (Table H, p. 63) It was these assumptions in the Task Force Report which led to conclusions that an 80 cent per barrel reduction in domestic crude oil prices would not endanger national security in 1980.

Considering the same emergency in terms of our best estimate of U.S. supply/demand patterns, a totally different conclusion is reached. Normal domestic and non-Arab foreign supplies would cover only 59 percent of total petroleum demand, leaving a deficit of 9.7 million barrels per day. After adjusting for emergency supplies available in the U.S. and from non-Arab foreign sources, a deficit of 6.3 million barrels per day would still remain. With a deficit of this magnitude, amounting to 27 percent of demand, it would be necessary to initiate a program of rationing far exceeding that which the Office of Emergency Preparedness said would be possible without severe economic repercussions. (OEP submission #154–A: 9–16 percent of demand) If such an emergency would occur in 1985, the total deficit, or supply shortfall, would increase to 12.2 million barrels per day (44 percent of demand).

In addition to our divergent views on demand and normal supplies, there are major differences between our analysis and that of the Task Force on the estimated availability of emergency supplies. Our estimates of the total availability from spare producing capacity ("excess capacity"), inventories, and emergency production increases are less than one-half as large as those made by the Task Force.

Spare producing capacity in the U.S. has been declining for the past several years. Allowable factors have been increased as new reserve additions have failed to meet growing demand. Spare capacity will continue to decline even with present oil import controls. By the mid to late 70's, the U.S. petroleum industry, including the Alaska North Slope, will be producing at 100 percent of allowable rates.

It is difficult to quantify precisely what level of spare U.S. producing capacity would exist in 1980 at $2.50 crude prices. Producers would have already taken all economically jusified steps to increase production rates under normal conditions. Efforts to increase production further would meet with limited success.

Taking into consideration the spare capacity in the Elk Hills Naval Petroleum Reserve (200 thousand barrels per day), and potential production above 100 percent allowables in Texas and Louisiana, we estimate that spare producing capacity in the U.S. would not exceed 800 thousand barrels per day in 1980. It should be emphasized, however, that there is a high probability that spare capacity would be much less, and an estimate as low as 300 thousand barrels per day is not unreasonable.

It is also felt that the excess capacity for Other Western Hemisphere sources is somewhat overstated, but for purposes of this analysis, we have not adjusted the Task Force estimates.

The potential for drawing on crude oil and products inventories in an emergency requires an understanding of the inventory needs of refiners, pipeline and tanker operators, and marketers, Inventories are a necessary cost of doing business. For this reason we commit a substantial amount of time to maintaining inventories at the lowest practical level.

The Task Force estimated that roughly 100 million barrels, or 25 percent (par. 239, p. 50) of total forecast crude oil stocks in 1980, could be utilized in a six-month emergency without impairing normal industry operations. Similarly, they conclude that product inventories could be reduced by 75 percent (par. 239, p. 50) or 790 million barrels. This total six-month inventory reduction of 890 million barrels would be equivalent to 4.9 million barrels per day. (Table H, p. 63).

By contrast, our studies of inventory availability suggest that a maximum of 270 million barrels (50 crude, 220 product) could be used in a six-month period. This is equivalent to a daily rate of 1.5 million barrels. The remainder would have to be available as working stocks in order to maintain petroleum industry operations and near normal consumption patterns. Even this could not be done without added costs and without many supply disruptions. Furthermore, this would require a reduction in inventories similar on a percentage basis to that experienced in World War II when rationing was in effect.

Inventory utilization must also recognize locational questions. For example, an emergency would deprive East Coast refineries of imported crude; the inventories available to offset this loss would be a mixture of crude and all types of products which would be dispersed throughout the country. Physically matching availability to needs would present severe transportation and distribution problems.

Moving to the next category, some limited emergency production increases could be realized from measures such as infill drilling and increased secondary recovery operations. However, this would require uneconomic expenditures which would somehow have to be justified or subsidized. These activities would have to be in addition to sustaining normal operations. Consequently, there would be timing problems due to lack of available rigs, qualified personnel, and equipment; and potential limitations on transportation facilities. Our best estimate of the emergency increase in U.S. production which could be achieved by such methods over a six-month period is 100 thousand barrels per day, compared to the Task Force estimate of 300 thousand barrels per day. (Table H p. 63).

We have assessed the Task Force estimates of emergency production increases in Canada and Latin America and have concluded that the Task Force figures are optimistic. Since the volumes involved are not critical to the balances, they have not be adjusted.

The Task Force does not include the Venezuelan tar belt oil in its production estimates, although it does indicate a substantial availability and states that the tar belt yields a product which is almost residual fuel oil as is. (Par. 236C, p. 47) In reality, the tar belt material is very high in sulfur and vanadium, and is so viscous that it would have to be blended with a light diluent such as heatin– oil before it could be transported or consumed. Installation of the necessary producing, refining, and transportation facilities would require about three years from the time a decision is made to proceed.

The Task Force $2.50 case has been emphasized in this analysis because it provides the basis for all of the security analyses. We believe the Task Force has combined conservative estimates of demand with optimistic and sometimes impractical assessments of normal and emergency supplies into a balance which has a very low probability of being achieved. The Task Force postulates a situation for oil imports not much different than today in which only a small part of U.S. supply comes from the Eastern Hemisphere. Therefore, the loss of part of that supply would not seriously threaten national security. Since the Task Force estimated emergency supplies to be five times the expected shortfall, it felt security of supply was not a problem.

In sharp contrast, we see the possibility of a 6.3 million barrels per day supply deficit with the same interruption even after taking all available emergency measures. This would be a shortage of 27 percent of requirements. In 1985, the deficit would be 12.2 million barrels per day or 44 percent of demand. Unlike the Task Force, therefore, we see a potentially hazardous petroleum supply situation.

SUMMARY

The major points of our analysis of the Cabinet Task Force Report and the outlook for security of U.S. supply are as follows:

(1) All parties who have analyzed the imports problem—including industry, government, and the Task Force majority and minority—concur that national security should be the sole justification and objective of oil import controls. They also agree that some form of oil import control is necessary to avoid undue reliance on insecure foreign supply sources.

(2) Many of the Task Force estimates and the results which flow from them have a low probability of occurrence. This is not to say that our estimates are free of uncertainties. However, it should be recognized that the Task Force analysis of U.S. security of oil supply is based on estimates which diverge significantly from extrapolations of historical trends. The alternative estimates we have considered are consistent with past industry performance. We must conclude, therefore, that the Government should avoid program changes which are based on estimates which have understated U.S. dependence on Eastern Hemisphere sources.

(3) The separate comments of the Secretaries of Defense, State, Treasury, Commerce, and Interior reflect their concern and reservation regarding the national security findings of the Task Force Majority Report. We share that concern.

(4) The defects of the existing import control system lie not in the system itself so much as in its administration. The Majority Report recognized that the current program could be made more effective through simplification of administrative procedures and limiting the program to its national security objective.

(5) There is ample evidence to suggest that even with a continuation of the present economic environment the U.S. petroleum industry will be hard pressed to supply sufficient petroleum raw material from domestic sources to satisfy the security criteria established by the Oil Imports Task Force. Given this possibility, dismantling the import control system and reducing exploration incentive by establishing lower domestic crude prices is moving in the wrong direction.

The present Mandatory Oil Imports Program is authorized under the national security provision (Sec. 232) of the Trade Expansion Act of 1962. We believe the needs of the country with respect to the availability of petroleum products can be well served by a continuation of the Oil Import Quota System. We also believe that administrative procedures are available to permit the Oil Policy Committee to improve on the present system.

The Task Force proposals would in our opinion work to the detriment of the nation's petroleum security. We believe that our analysis has shown that the real question confronting the government is how to create an environment and policy framework which will assure that this country can minimize its dependence on insecure foreign sources for the bulk of the energy essential to our economy.

APPENDIX

Natural gas effect

The effect of changes in the import program on natural gas was given only passing reference in the Task Force Majority Report. We estimate that with an 80¢ per barrel reduction in crude oil prices and higher federal taxes, U.S. natural gas production, including Alaska, would decline by 4 TCF in 1980, and by 7 TCF in 1985. Approximately 60 percent of this decline is gas which is produced in association with oil. These production losses would be in addition to the gas supply shortage which I alluded to earlier. This is comparable to the FPC estimate in a separate report to the Task Force that a production loss of 3 TCF would occur in 1980 in the lower-48 states.

Energy losses of these magnitudes are obviously significant. Expressed in terms of fuel substitutes, seven trillion cubic feet of gas (7,245 T Btu's) contain the same amount of energy as almost twice the amount of heavy fuel oil (730 million barrels) or over half the amount of coal burned in the U.S. in 1969 (566 million tons). These losses would also be significant from the standpoint of pollution control, since natural gas is the cleanest burning fuel available.

Assuming that natural gas prices would not rise, or fail to rise sufficiently to encourage additional gas reserve additions, it would be necessary to substitute other fuels for gas. In view of tighter pollution restrictions and limited potential for nuclear energy by 1980, additional oil imports from the Eastern Hemisphere above those shown in the foregoing analysis, would be required to fulfill demand.

FIGURE 1

UNITED STATES ENERGY DEMAND BY CONSUMING SECTORS

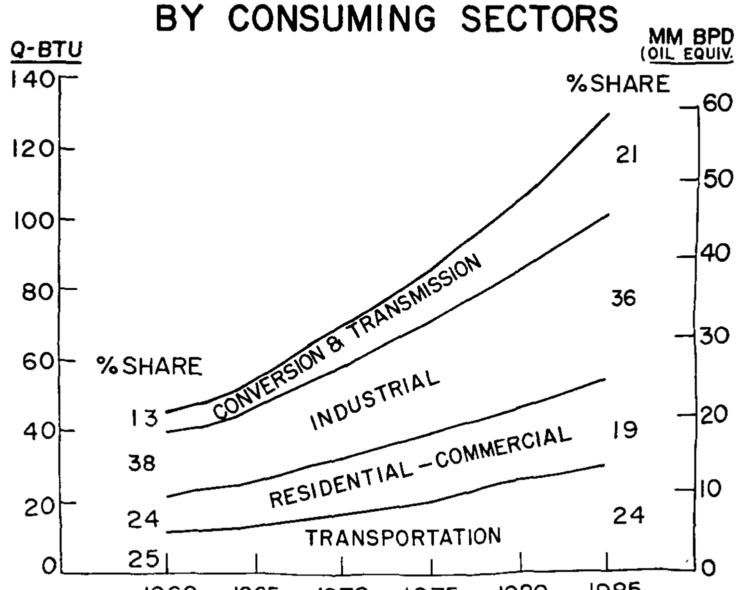


FIGURE 2

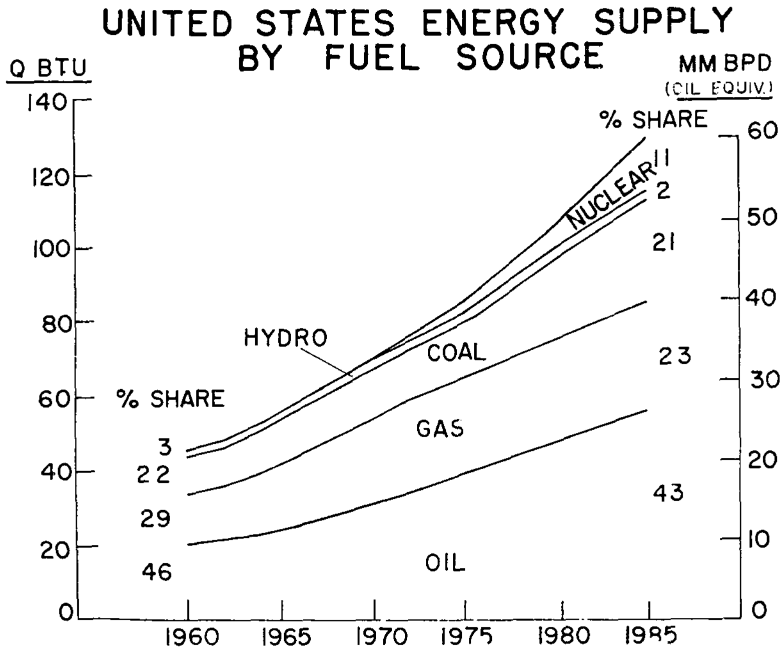


FIGURE 3

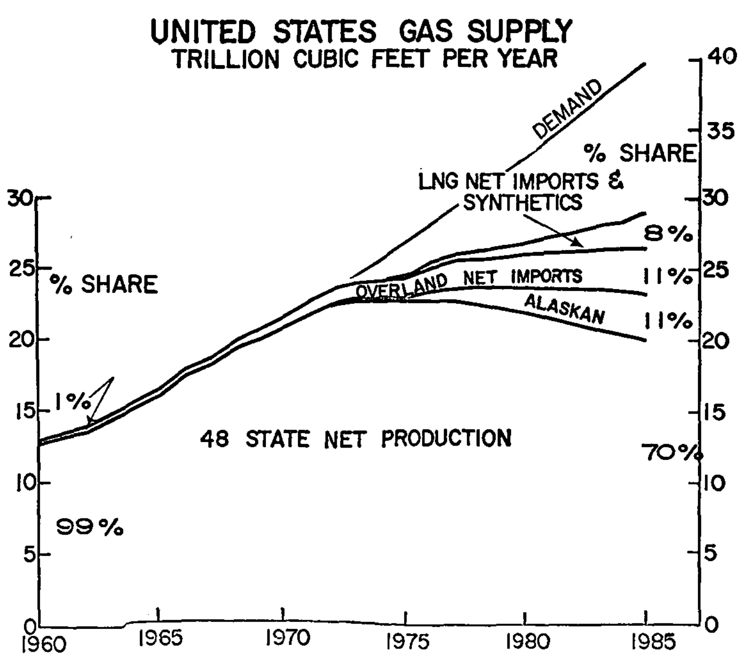


FIGURE 4

UNITED STATES PETROLEUM DEMAND BY CONSUMING SECTORS

MILLION BARRELS PER DAY

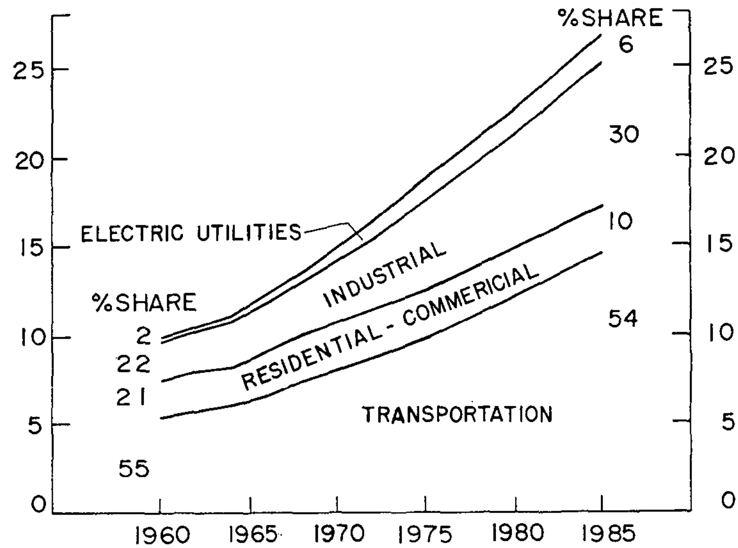


FIGURE 7

FIGURE 5

U. S. HEAVY FUEL OIL DEMAND

MILLION BARRELS PER DAY

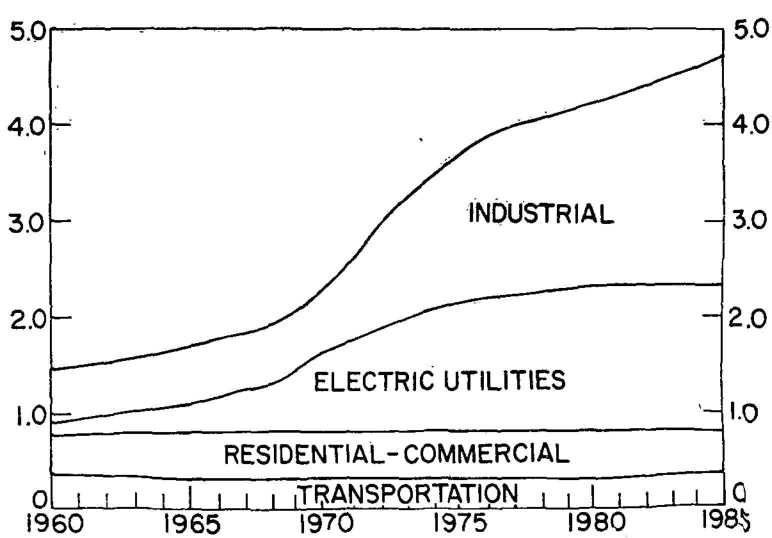
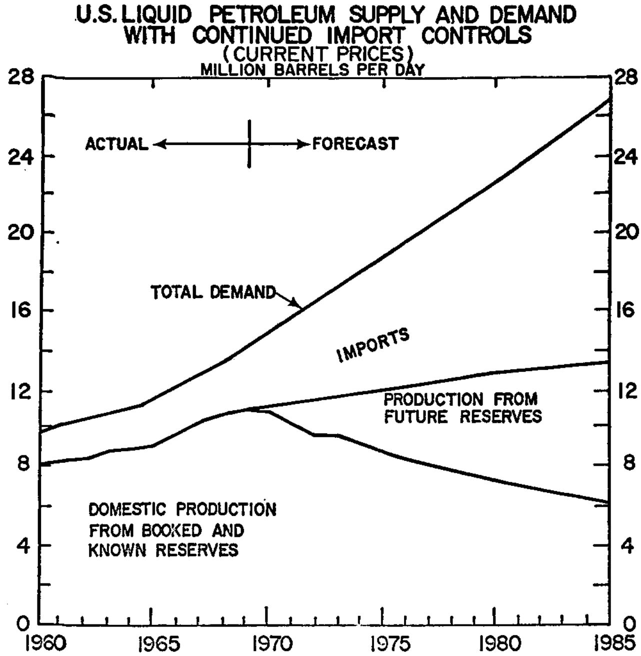


FIGURE 6



ALASKAN ARCTIC SLOPE

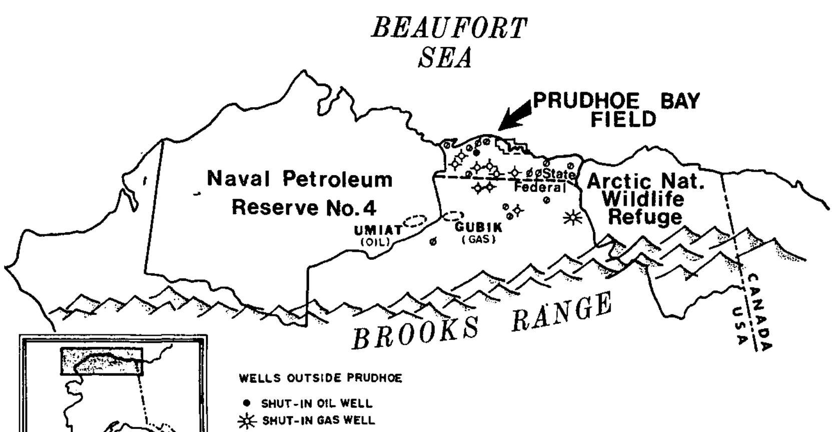


FIGURE 8

U.S. SUPPLY BALANCE
1980--$3.30 Case
(MMB/D)

	Cabinet Task Force Report	Current SONJ Estimate	(1985)
Demand:	19.3	22.7	(26.8)
Supply:			
U.S. Production			
Lower 48 & other Alaska-Crude	8.2	8.7	
North Slope-Crude	3.7	2.0	
NGL	1.6	1.9	
Sub-Total	13.5	12.6	(13.5)
Imports:			
Canada	2.6	1.6	
Latin America	2.7	2.0	
Eastern Hemisphere	0.5	6.5	
Sub-Total	5.8	10.1	(13.3)
Total (Incl. Puerto Rico)	19.3	22.7	(26.8)

FIGURE 9

EFFECT OF 1969 TAX REFORM ACT

	Annual Reduction In Cash Flow To Oil Producing Industry
Percentage Depletion	$370 MM
Minimum Tax	$160 MM
Investment Tax Credit	$170 MM
Total Tax Bill	$700 MM

Equivalent Impact On After Tax Cash Flow

a. Crude Oil Only Bears Full Impact -------------- 35¢ Per Barrel

b. Crude Oil and Natural Gas Prices Bear Impact -- 25¢ Per Barrel
2¢ Per Mcf

FIGURE 10

U.S. LIQUID PETROLEUM PRODUCTION
MILLION BARRELS PER DAY

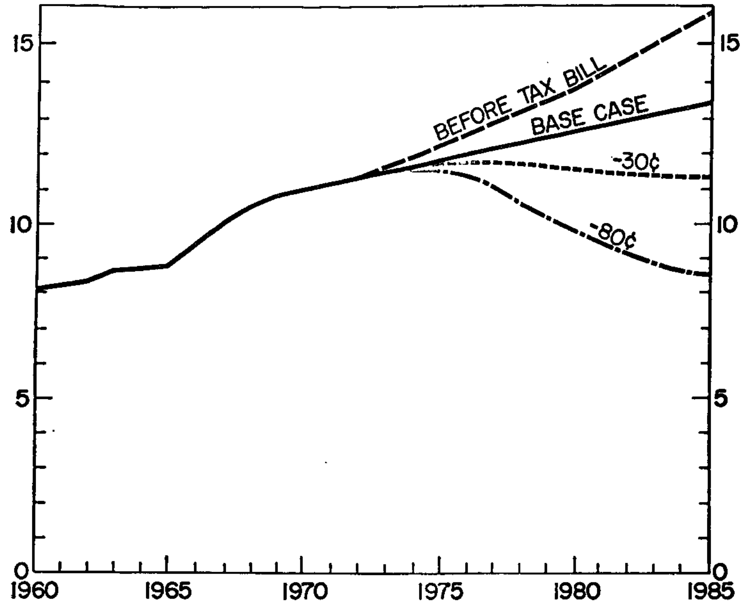


FIGURE 11

U.S. SUPPLY BALANCE
1980--$2.50 Case
(MMB/D)

	Cabinet Task Force	Current SONJ Estimate	(1985)
Demand	19.7	23.5	(27.7)
Supply:			
U.S. Production			
Lower 48 and other Alaska-Crude	6.9	6.0	
North Slope-Crude	2.5	2.0	
NGL	1.6	1.8	
Sub-Total	11.0	9.8	(8.5)
Imports:			
Canada	3.0	1.5	
Latin America	3.8	2.0	
Eastern Hemisphere	1.9	10.2	
Sub-Total	8.7	13.7	(19.2)
Total (Incl. Puerto Rico)	19.7	23.5	(27.7)

FIGURE 12

U.S. SUPPLY BALANCE DURING 6-MONTH INTERRUPTION OF ARAB SUPPLIES
1980 - $2.50 Case (Task Force Table H Comparison for U.S.)
(MMB/D)

	Cabinet Task Force Report	Current SONJ Estimate	(1985)
Demand	19.7	23.5	(27.7)
Less: U.S. Production	11.0	9.8	
Canadian Imports	3.0	1.5	
Latin America	3.8	2.0	
Non-Arab Eastern Hemisphere	0.5	0.5	
Normal Production: - Deficit, + Surplus	-1.4	-9.7	(-15.6)
Less: Emergency Supplies:			
Excess Capacity	1.7	1.6	
Inventories	4.9	1.5	
Emergency Production Incr.	0.5	0.3	
Total: -Deficit, + Surplus	+5.7	-6.3	(-12.2)

(Incl. Puerto Rico)

Statement of Milo G. Coerper, on Behalf of the German American Chamber of Commerce, Inc.

Mr. Chairman and distinguished members of the Committee on Finance:

My name is Milo G. Coerper. I am a partner of the law firm of Coudert Brothers and am the Washington counsel for the German American Chamber of Commerce. I am making this statement on your invitation, on behalf of the Chamber. The Chamber was incorporated in the State of New York in 1947. It is registered under the Foreign Agents' Registration Act because it receives some of its financial support from abroad. It is a bi-national organization of 934 members, consisting of 460 United States members and 474 German members, thus representing business men from the two largest trading nations in the world. One of its primary concerns is the fostering of two-way trade between the United States and Germany. Its members are as interested in exports from the United States to Germany as they are in exports from Germany to the United States.

In its testimony before the Committee on Ways and Means of the United States House of Representatives on May 22, 1970, the Chamber stated that it generally supported the Administration's Trade Bill, H.R. 14870, and the Administration's related request that the Congress join in the task ahead of dealing with non-tariff trade barriers, initially, through a declaration of Congressional intent in this area.

We felt that H.R. 14870 represented a genuine Administration effort to move ahead modestly with a free and fair international trade policy during a period when a newly appointed Presidential Commission on World Trade would study and make recommendations for a longer range policy of trade and investment for the 1970's. This Administration program, supported on both sides of the Atlantic, as outlined by the President in his Special Message to Congress on November 18, 1969, we fear, will be totally frustrated by the proposed legislation reported by the House Ways and Means Committee and presently before this Committee, namely, H.R. 18970.

We fear this total frustration for one primary reason—namely, the introduction into United States trade policy of a quota system—the very type of system the free trade oriented countries like the United States and Germany have been working so diligently to remove from the trade policies of other countries. Quotas, unlike tariffs, are politically and economically disruptive—they interfere with the price mechanism, causing higher prices to the detriment of the consumer—they are much more difficult to administer than tariffs—they require a high degree of governmental control and a burgeoning bureaucracy. In short, such a general quota system built into a new and untried escape clause procedure with dangerously rigid criteria, as proposed in the bill, would remove the necessary flexibility in economic determinations of injury and result in a trade policy totally alien to anything ever known before in the United States.

Even if the provisions of this bill are administered in a liberal way and the decrease in trade between our countries is not as bad as expected, we seriously fear that the new protectionist attitude expressed in the bill will certainly lead to counteraction by European and other countries and the great danger of escalation into a trade war. Thus, all exports from the United States, especially those in the agricultural field, will be hurt very seriously.

The Chamber, of course, realizes the need for an effective remedy for an industry, firm, or worker genuinely injured as a result of excessive imports from certain countries and for this reason supported the Administration's original proposals to liberalize adjustment assistance and escape clause provisions consistent with GATT.

It is appropriate for the Chamber to make clear at this point that it favors the elimination of non-tariff trade barriers, not only in the United States, but also in Germany and third countries. It should be noted that in at least one list of such barriers proposed by the United States, Germany appears to have the fewest non-tariff barriers. (See *Congressional Record,* March 7, 1968, p. S2412 *et. seq.*)

Now a few comments as to German-American Trade. During the last two decades, 1950–1970, this two-way trade has increased ten-fold, reaching a cumulative volume of 48 Billion Dollars. This impressive statistic is strong evidence for the proposition that, notwithstanding proper and genuine concerns on both sides of the Atlantic as to non-tariff barriers, trade has and will nevertheless increase between two dynamic and innovative economies to the advantages of both.

In 1969 United States exports to Germany rose 23% over the previous year, while German exports to the United States showed a decrease of 3.7% from the end of 1968 to the end of 1969. These dramatic changes in favor of the United States balance of trade resulted from the growing need of Germany's economy for both primary commodities and manufacturers and also from the revaluation of the D-Mark in 1969. Thus the German Government's unilateral action in the revaluation of the D-Mark was clearly an indirect benefit to the United States economy and will continue to be so.

German business and industry have always endeavored to maintain cordial economic relations vis a vis the United States and continue to do so. However, of late they have noticed a hardening of economic policies in the relations between the United States and the EEC.

They deplore this state of affairs and hope that such tensions can be removed before they pose a serious threat to Atlantic relations.

It is important to note that the legislation in question was triggered by rising imports from low-wage countries, such as Japan and Hong Kong. The Federal Republic of Germany with its high standards for wages and especially its fringe benefits paid to the workers cannot be considered a low-wage country. Yet German imports are unjustly and automatically included in the restrictions resulting from this legislation.

This situation is, for instance, reflected in the exports of shoes from West Germany to the United States where only high-class and high-priced shoes such as ski shoes and special sport shoes are exported, some of which are not even manufactured in the United States.

The same applies to textiles. The export of textiles from the EEC countries to the United States declined in 1969, notwithstanding the substantial increase in the level of world trade in textiles. The United States exports of textiles to the EEC between 1966 and 1969 increased by 42%. During the same period EEC textile exports to the United States increased by only 28%. It is surprising that the proposal for a textile quota thought to protect the small and medium-sized United States manufacturers includes man-made fibers, which are only manufactured by giant chemical concerns in the United States. In 1969 U.S. total exports of man-made fibers exceeded by a small margin the total imports of same by weight. However, in terms of valuation U.S. exports approximately doubled the said imports.

Perhaps the inclusion of man-made fibers was considered a necessary concession for the elimination of ASP. But whether the Congress will remove the ASP now appears in question and in any event such removal should not require such a concession.

In conclusion, Mr. Chairman, let me say that the Chamber generally agrees with the excellent Statement presented to your Committee by Secretary of State Rogers and concurs in his conviction that the proposed bill "could cause serious harm to the United States."

We appreciate his comment that the President has indicated his willingness to accept quotas for textiles only because "efforts to find other solutions to problems in our textile trade have thus far been unsuccessful."

The Chamber respectfully suggests that the President should be given additional time to find "other solutions" and that perhaps the impending visits to the United States by other heads of State, including the Prime Minister of Japan, and EEC officials will provide the opportunity to find such solutions.

Thank you, Mr Chairman, for giving the German American Chamber of Commerce this opportunity to be heard.

MEADE, WASSERMAN & PLOWDEN-WARDLAW,
New York, N.Y., October 14, 1970.

Attention: Senator Russell Long, Chairman.
Reference: HR 18970.

COMMITTEE ON FINANCE
U.S. Senate,
Washington, D.C.

GENTLEMEN: The Independent Wire Drawers Association (IWDA) respectfully requests consideration of its views on the effect of HR 18970 on independent wire drawers.

IWDA is a trade association made up of member firms with plants in almost every state in the country and employing thousands of American workers. IWDA's member firms are small business generally employing between 30 and 450 workers. These firms are "non-integrated" manufacturing companies engaged in the drawing of steel wire and generally the fabrication of wire end products. (By "non-integrated" it is meant that these firms do not possess basic steel making capacity.) Consequently, they must purchase their industrial raw material—hot-rolled, low-carbon steel wire rod—from domestic or foreign steel mills. This rod is drawn into steel wire and then fabricated into finished wire and finished wire products such as annealed bailing wire, nails, welded wire concrete reenforcing mesh and woven wire fence.

Independent wire drawers are in a dual distribution industry, that is, the integrated mills which are the suppliers of raw materials are also competitors in regard to the end products of wire and wire products. Independent wire drawers have always relied to a large degree for raw materials on wire rod manufactured in the United States for their basic raw material. The IWDA member firms have no objection whatsoever to a possible reduction in the importations of wire rod pursuant to HR 18970 so long as the following two reasonable conditions are met:

1. The supply of wire rod in the United States remains adequate; and
2. The large, integrated U.S. manufacturers retain a proper and just price spread between the cost of the wire rod and the cost of their finished product.

Such a price spread must permit independent producers to manufacture wire products from domestic rod which can be sold at a reasonable profit.

However, in the past, independent wire drawers have been obliged to rely upon the availability of foreign wire rod. It has been the unfortunate, but apparently legal practice of the domestic steel industry, to increase the price of wire rod to independent wire drawers without increasing the price of their own common quality wire and wire products. In some cases, major integrated steel producers have actually reduced the prices on common quality wire and wire products while at the same time increasing the price of wire rod to independent wire drawers.

Hence, the independent wire drawers have been caught in the classic dual distribution double price squeeze. In the past, they have always been able to escape the squeeze by importing wire rod.

HR 18970 provides for the liberalization of the escape clause provisions of the Trade Expansion Act of 1962 to an extraordinary degree. Under this bill the imposition of quotas or increased duties is mandatory if certain criteria are met. One of the criteria is satisfied when imports of a particular article constitute more than 15% of "apparent United States consumption" of that article. For a number of years, importations of wire rod have comprised more than 15% of the apparent United States consumption of wire rod. It would, therefore, appear possible that a petition for tariff adjustment made by an integrated steel corporation pursuant to Title 1, Chapter 2 of HR 18970 might be acted upon favorably by the Tariff Commission. Such action would oblige the President, unless certain remote conditions were present, to increase the duty on imported wire rod or to impose a quota on importations of wire rod.

Such action would close off the independent wire drawers' escape route from the dual distribution double price squeeze and would drive these small firms out of business.

In light of the foregoing, we respectfully request that provision be made in the bill for the protection of small nonintegrated businesses who are in competition with large integrated corporations. Such provisions should include an amendment to the Trade Act of 1970 containing provisions similar to those set forth in Senate Joint Resolution 124, 91st Congress, 1st Session. This Resolution was introduced by Senator Long.

Appended to this statement is a proposed addition to Section 113 of the Trade Act of 1970. These provisions, if adopted, will give the same rights to survival to American small businesses faced with a dual distribution double price squeeze as the Act gives to corporations faced with injurious levels of importations. Such or similar provisions are essential to the survival of numerous small businesses in America.

Respectfully submitted.

INDEPENDENT WIRE DRAWERS ASSOCIATION,
ALAN D. HUTCHISON,
General Counsel.

PROPOSED AMENDMENT TO H.R. 18970

Section 113(e) The following new section 353 is added to such Act:

"Section 353(1) Upon resolution of the Committee on Ways and Means of the House of Representatives or the Committee on Finance of the Senate, or upon request of an independent domestic small business manufacturing firm or any other interested party, the Administrator of the Small Business Administration shall promptly make an investigation to determine whether any product subject to an increase in or infraction of any duty or other import restriction pursuant to this section or pursuant to section 7 of the Trade Agreements Extension Act of 1951 is available in the United States in sufficient quantity at reasonable prices to meet the demands of independent domestic small business manufacturing firms. The Administrator shall conclude any such investigation and announce his finding with respect thereto within thirty days after receipt of such resolution or request.

(2) If the Administrator finds that such products are not available in the United States in sufficient quantity at competitive prices to meet the demands of independent domestic small business manufacturing firms, he shall then make an investigation to determine whether as a result thereof injury to independent domestic small business manufacturing concerns is occurring or is likely to occur. The Administrator shall conclude any such investigation and announce his finding with respect thereto within thirty days after receipt of such notification.

(3) If the Administrator of the Small Business Administration finds that injury is occurring, or is likely to occur, to independent domestic small business manufacturing firms, he shall notify the President. Upon receipt of such notification, the President shall make such modifications in any increases in or impositions of duties or other import restrictions imposed pursuant to this section or pursuant to section 7 of the Trade Agreements Extension Act of 1951 to the extent necessary to permit independent domestic small business manufacturing firms to meet their demands for products which cannot be met by purchase of domestically produced products.

(4) For the purposes of this Act 'independent small business manufacturing firms' are those companies which meet the following criteria: (a) their assets do not exceed five million dollars; (b) their net worth does not exceed 2.5 million dollars; (c) they manufacture a product in the United States; (d) they do not manufacture the raw materials employed in the manufacture of that product; (e) at least one United States company manufactures and sells both the raw materials used in the manufacturing operation and the end product produced by this operation."

GENERAL MOTORS CORP.,
New York, N.Y., October 13, 1970.

Hon. RUSSELL B. LONG,
Chairman, Finance Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: I have been following with interest the consideration by your Committee of proposed trade legislation. As a result, I have become increasingly concerned by the numerous suggestions that legislation, imposing quotas or other forms of domestic protection on certain imported goods, is desirable or necessary.

I cannot agree. The automobile industry has always been in favor of free trade, as is clearly illustrated by the current policy of the AMA on this subject, which reads in part as follows: "protectionism by any trading nation undermines the principles of reciprocity and endangers the long-term growth of any economy which retreats behind its arguments." Restrictive actions by the United States against imported goods could easily result in swift and severe reprisals by other governments.

Protectionist measures, established for the benefit of selected industries having problems in competing adequately at home against imports, would tend to invite penalties against the many businesses that do compete effectively abroad. As a result, all industry in the United States could suffer in the long run, with diminished export trade and associated job losses here outweighing any temporary gains won by adoption of retrogressive trade policies. The best response to import competition is to meet it directly. This is what we in the automobile industry are doing to meet the increasing competition from imported foreign cars.

General Motors, and the rest of the auto industry, has traditionally believed in the kind of trade that would lead to a true world market, in which goods, services and capital could move unobstructed. I believe our government, far from erecting barriers to free trade, should instead be a vigorous champion of expanding such trade around the world and seeking to remove trade barriers in other countries. Thus, I am writing to you with the hope that any current mood of retreat toward protectionism will not have a persuasive influence on the deliberations of your Committee.

Last November I expressed some of these thoughts in an address to the National Foreign Trade Convention. I am enclosing a copy of these remarks, which presents in greater detail my views on this matter.

I am taking the liberty of sending copies of this letter to all members of the Senate Finance Committee.

Sincerely,

J. M. ROCHE.

Enclosure.

THE IMPERATIVES OF WORLD ECONOMIC PROGRESS, BY JAMES M. ROCHE, CHAIRMAN OF GENERAL MOTORS—KEYNOTE ADDRESS TO NATIONAL FOREIGN TRADE CONVENTION, NEW YORK CITY, NEW YORK, NOVEMBER 17, 1969

As your keynote speaker this morning, I want to address myself directly to our conference theme—"International Business and Economic Progress—The Tasks Ahead."

We of the National Foreign Trade Council want the world market to be a free market. We want it always to be as free as the political, economic and financial realities of the day will permit. We want more vigorous trade, more productive investment, more progress in the world economy.

The flow of goods and capital is the lifeblood of our world community. We want to quicken this flow. We want to dissolve the impediments that restrict it. We want to allow the benefits of world trade to enrich even the remotest parts of our planet.

We must be aware of the responsibility that is ours. The voice of this convention is heard and respected in all the capitals of the world. What we say in these three days, what directions we point, what policies we advocate, will have an influence in the world. They will have importance to us as individuals, to the world business community, and to the material well-being of people everywhere.

We meet in this modern, sophisticated city. Yet our actions may someday touch the lives of people in the street markets of Africa, the bazaars of the

Middle East, and the trading centers of Asia. What we do will affect them, because that is the kind of compressed, interrelated world in which we live.

It is from this larger perspective that I would like to approach the business of our Convention.

WORLD MARKET OUR IDEAL

Our ultimate ideal is a truly world market, where boundaries are little more than lines on a map, and where goods, services and capital can move unobstructed. This ideal, we all recognize, is still far from fulfillment. Yet we are being helped by the spectacular improvements in transportation and communication, and by the rapid growth of multi-national businesses whose leaders, of necessity, see the world as one world.

This morning I would like to outline some major tasks that lie ahead. There is work to be done if we are to move closer to our ideal of a free world market, and closer to the realization by all people of the full potential of the resources with which our world is blessed.

Probably our most immediate task is to consolidate the gains negotiated with such great skill at the Kennedy Round in Geneva two years ago. The Kennedy Round achievement has few parallels in world trade negotiation. It is regarded as a great step forward for freer trade. But, as events have proved, it has not carried us to our objective; it has taken us past a milestone along the way. Many of the results of the negotiations remain to be implemented. Our first task, therefore, is to work unremittingly to translate these gains as quickly as possible into the expanded world trade we seek.

The Kennedy Round—even when implemented—will be but a beginning. We should now be planning the next steps to reduce the barriers of tariffs. International commercial negotiations are, under the best of circumstances, a time-consuming work. I need only remind you that the preliminary and difficult Kennedy Round negotiations were in progress for more than three years. It is not too early to begin to plan ahead.

NON-TARIFF BARRIERS TO TRADE

We must also mount an aggressive attack on the non-tariff barriers to trade. In many places we have succeeded in lowering tariffs, only to see ingenious non-tariff barriers rise in their place. They are of almost infinite range and variety. There are import quotas—voluntary and involuntary. There are import licenses, subsidies, discriminatory customs, valuation schemes, prior deposit schemes, border taxes and so on.

All of these non-tariff barriers discriminate against imported products. They are like weeds. They seem to grow almost without design, yet everywhere they choke off trade and deny the spirit of the Kennedy Round. Various, subtle, seemingly insignificant, they are far more difficult to eliminate by reciprocal reductions than the traditional tariffs.

Perhaps I am more sensitive than others to the deadening impact of these non-tariff barriers. For years, the automobile industry has been confronted by a variety of special fees and taxes which discriminate against the import of cars and trucks from the United States. These help to make the operating costs for American-produced vehicles prohibitively high in much of the world.

France, for example, has an annual tax on horse-power. A Volkswagen has seven so-called "horsepower units." A Chevy II has 18. Yet the Volkswagen is taxed only $16 while the Chevy is taxed $180. In other words, the Chevy, with 2½ times the horsepower carries 11 times the tax.

Non-tariff barriers do not exist only overseas. Here at home, many people are advocating import quotas on a variety of products. More than half the members of both houses of our Congress—50 Senators and 223 Representatives—have sponsored quota bills. This legislation, if passed, could affect an estimated $10 billion in imports. Enactment of even some of these quota proposals would surely trigger retaliatory actions against our exports. It would mark another step away fom our ideal of freer trade.

We must seek always to strengthen our slender trade surplus. In 1964, it was at its second-highest level in the post-war period—$6.7 billion. By last year it had fallen to only $600 million. It fell not because exports stood still—they rose 33% during this period—but because imports expanded by a dramatic 77%.

INFLATION MUST BE CHECKED

It is painfully clear that our ability to compete overseas will deteriorate unless inflation at home is checked. Inflation is making it increasingly difficult for American industry to compete in world markets. We cannot for long continue to allow our costs of production to increase at a faster rate than productivity. Yet this is what is happening. Since 1965, a compensation per man-hour in the manufacturing sector has been rising twice as fast as output per man-hour. We are paying our labor more than productivity warrants. And part of the price is our weakening position in the markets of the world.

We must also work to eliminate the restrictions on the direct investment of capital overseas. While capital controls may appear beneficial in the short run, they can only worsen the competitiveness of American business in the long run. We must not build long-term policy on short-term expedients.

The income from American overseas investment has been consistently larger than the outflow of new investment. In 1964, for example, before controls, the surplus was $1.4 billion. It must be remembered that income from our investments is derived from the cumulated investments and re-invested earnings made over long periods. There is no doubt in my mind that capital controls are damaging the competitive position and the earning capacity of American business overseas. They retard the ability of private enterprise to make its full contribution to economic development.

CONTROLS ON INVESTMENT

The international flow of investment capital is often being controlled at both ends of the pipe—by the country receiving as well as by the country making the investment. Many developing countries, for example, have adopted trade policies which virtually force investment as a condition of market participation. Sometimes this is the case even in countries where the economic base—that is, the availability of raw materials and the size of the potential market—is so thin that any investment is a marginal business proposition at best.

In addition, regulations such as those in Japan, which make joint ventures a condition of external investment in many Japanese industries, must be greeted with less than enthusiasm. Even with that impediment, we cannot compete in their market because of their tariffs and other barriers to trade. Such practices, while perhaps understandable in the case of developing countries, ill become a nation that today is the world's second-largest producer of motor vehicles. They do little to advance us toward the ideals of a free world economy.

The cause of freer trade can also be advanced or retarded by the varying interpretations of different governments to their antitrust laws. America's ability to compete in the world market is handicapped if our government inhibits growth while others encourage their businesses to merge and grow.

SIZE NECESSARY FOR EFFICIENCY

As we move closer to one world-wide market—rather than separate national markets—government as well as business must understand that in some industries size is necessary for efficiency. Some businesses will need to be big in order to compete. The day may come when, because it allows America to hold its own against world competition, bigness will be seen as a blessing. Even as we work to eliminate inequities in international tariff law, so must we in the years ahead direct more attention to unequal antitrust regulation.

The recent annual meeting of the International Monetary Fund in Washington focused attention on another major task. This is the work of providing an interational monetary mechanism that serves expanding world trade while it minimizes uncertainties that hinder world commerce.

As a businessman, I appreciate that the broad system of parity arrangements provided through the IMF has made an important contribution to expanding world trade. Although exchange flexibility is appealing in theory, I am convinced that complete flexibility would add still another layer of uncertainty to the risks of world commerce. Thus, it would discourage rather than foster expanded trade.

Our present system of currency parities calls for each nation to adjust its internal affairs promptly to avoid extended periods of surplus or deficit. However, countries have not always been willing to abide promptly by the discipline of this system. Clearly, the monetary mechanism we have depended upon has not worked well enough, particularly in the past two years. The repeated crises the world has experienced are proof of this.

We must find ways to improve the adjustment process when and if basis imbalances develop. The system will not work well if we rely—as we have too often—on the build-up of a speculative crisis psychology before an adjustment is made. We need a system that prevents crisis, not one that depends upon crisis to work.

NEED FOR INTERNATIONAL LIQUIDITY

We must also assure that our international monetary system provides sufficient liquidity for the growth of trade. The world's reserves have not grown as fast as world trade. I do not wish to open up the question of the relative merits of gold and national currencies, such as the dollar and sterling, as alternative means of meeting international obligations. I am hopeful that last month's approval of the Special Drawing Rights by the International Monetary Fund will help achieve this important task of assuring adequate international liquidity.

Another task, and one that is extremely complex, is to consider further the requirements of a truly international capital market. The importance of this has long been recognized. The signatories to the Treaty of Rome saw the creation of a viable capital market within the community as an important objective of the EEC. This was a limited number of highly interested countries. Yet, even here, there has been discouraging evidence of the difficulties that arise when different banking laws and economic policies cause monetary values in different countries to diverge.

Improvements in world capital markets are basic to another goal toward which we in the free world have been working diligently for the past 20 years. This is the task of finding ways to help the developing nations realize their potentials—to develop their natural resources, to build up their industries, to educate and train their people—all so that they may improve their standards of material well-being.

After some 20 years, no one—either in the richer or poorer countries—has any illusions that development is an easy task. Two decades of experience have taught us to see the challenge more clearly. And seeing it, we know the challenge of development cannot be ignored or avoided.

As was observed in the Report of the Commission on International Development—the Pearson Report:

> ". . . the poorer countries of the world have made their choice for development. It is part of their unfinished revolution. They are determined to achieve a better life for themselves and their children. The only questions are: how fast, by what means, and at what cost to be achieved . . ."

These questions, of monumental importance to all of us, well define the magnitude of what lies before us.

TASKS FOR FUTURE

So, then, here are the tasks that I commend to the attention of all who hold to the ideal of freer trade and foreign investment:

Let us implement the Kennedy Round and look beyond, to further tariff reduction.

Let us cut down the non-tariff barriers and remove restrictions on investment.

Let us establish an effective international monetary mechanism and assure sufficient liquidity for growth.

Let us create a truly international capital market.

And

Let us help the developing nations achieve their potential.

None should underestimate the difficulty of these tasks. Yet much of the world's future hinges upon their achievement, upon our ability to bring all the resources of our world to a free international market.

The role of governments is, of course, central. Many of the issues have strong political overtones. They touch on sensitive questions of national pride and aspiration. The decisions often cut across commodity or industrial categories. Thus, they require the authority of governments to coordinate the many, and often diverse, areas of business expertise.

ROLE FOR BUSINESS

However, these tasks are not for governments alone. There is a growing role for business. In our continuing effort to achieve greater economic progress, we can act independently as well as in partnership with government.

The multi-national corporations can provide valuable resources. Most contemporary world-wide businesses have followed a growth pattern extending over a number of years. As a result, whether based in the United States or Canada or Europe or Japan, they are a reservoir of experienced personnel. Their leaders are highly knowledgeable in world commerce. They are politically aware and seasoned practitioners. World-wide businesses, with their widely dispersed production facilities, their well-developed lines and channels of distribution, their knowledge of national laws, customs and practices are a new resource of the world community. Their presence sets the current stage of world industrial history sharply apart from earlier periods.

GROUNDS FOR OPTIMISM

In the number and size of multi-national business, I find solid ground for optimism about world prospects in the years ahead. There are several reasons for this view.

First, the contemporary multi-national enterprise takes a truly world view of its challenges and opportunities. It judges itself by its service to the economy of each nation where it operates. At the same time, it measures its performance against objectives that are world-wide. To be successful, it must remain flexible to local customs even as it remains sensitive to changing world conditions.

Faced with intense competition for world market position and encouraged by the profit incentive, the world-wide business necessarily gives high priority to efficiency which translates into low cost to the consumer.

The world-wide business also provides an organizational structure ideally suited to transfer special skills and know-how to wherever they are required. It provides training—a global classroom—so that citizens in developing parts of the world can acquire the skills of the industrialized nations that were often developed at great cost and over a long period.

Then, too, the world-wide business provides developing economies with the latest in products, materials and technology. In addition, it opens up employment opportunity to utilize these new and higher productive technologies.

Finally, the multi-national company is an efficient instrument for utilizing local financial resources. It has been General Motors' experience, for example, that after its initial capital investment is made, expansion can usually be accomplished almost entirely from financial resources generated through General Motors operations overseas and through local borrowings which are repaid out of local earnings. This approach—which has been a long-standing General Motors policy—not only provides opportunities for employment of funds which are available locally, but also serves to minimize the impact on the United States balance of payments.

In these various ways, world-wide businesses, with their stable and productive international economic ties, stand ready and willing—I hope even eager—to serve the cause of a great world market. They embody a concept of efficiency and service to the market that transcends national boundaries. Their investment capability, skilled manpower and management, seasoned manufacturing and marketing know-how, can greatly assist in meeting the challenges of world economic progress.

Considerations such as these have importantly influenced our judgment in General Motors toward the question of ownership participation in the business. While we have not made ownership participation in the shares of our subsidiaries available publicly, it has been our policy to encourage ownership of General Motors common stock on a world-wide basis. We list it on the major stock exchanges in Montreal, London, Paris, Frankfort, Brussels and other financial centers. It is also traded in many other security markets overseas.

Other approaches to ownership participation overseas have worked well for others. American businesses are successfully engaged in joint ventures with foreign corporations or have operated overseas subsidiaries with local participation. The ownership arrangement depends to a large extent on the nature of the product, the technology and economics of its manufacture and the markets it must serve. Given the great diversity of products, manufacturing processes and marketing requirements, arbitrary ownership policies imposed by a nation as a condition of investment are bound, in the long run, to do more harm than good. Because these policies may be inspired by fear of foreign domination, we must make it clear that the objective world-wide direct investment is not to dominate foreign economies but to serve overseas markets in the hope of profit for ourselves and benefits to foreign workers and consumers.

How much international business enterprise can contribute to economic progress will depend importantly on the national economic policies that will be adopted in the years ahead.

PROTECTIONIST POLICIES REEMERGING

There are disturbing signs of the reemergence of protectionist policies in many countries. Sadly, our troubled and restless world has still not come to recognize the folly and futility of protectionism. The protected industry must surely suffer in the end. Because costs to the consumer rise, protectionism abets inflation even as it stifles world trade. Retaliation becomes inevitable. Barrier is piled upon barrier, and the world economic progress to which we aspire—and upon which hundreds of millions of people must depend—is delayed.

All who cherish freedom—political, individual or economic—must question the right of any businessman to employ the power of law to leave a consumer without free choice in the marketplace.

We must not surrender to protectionist pressure in our economy. Our government, by both voice and practice, should be a vigorous champion of expanding trade around the world. We must be ready to drop what unfair barriers we have raised as we persuade our trading partners in other nations to lower theirs.

Our nation grew to its greatness in freedom. The question is whether we will act to assure a continuation and an extension of this freedom to all the marketplaces of the world.

This question should lie at the heart of our discussions during these three days. Our goal is to find ways to make trade and investment the twin engines of world-wide economic progress—to define the tasks that lie ahead, to appraise the obstacles we face, and to pit against them the resources we have.

As one who has participated directly or indirectly in the management of a world-wide business for many years—and who has seen at first hand what can be accomplished—I can only state my great confidence that, with dedication, patience and hard work by all of us, this challenge will be met. To my mind this represents our best hope for sustained world economic growth and for a peaceful world society.

CF INDUSTRIES, INC.,
Chicago, Ill., October 9, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: We understand that the Senate Finance Committee Finance Committee is now holding hearings on the Trade Bill (H.R. 18970). At this time, we submit to the Committee the following statement of opposition to any amendment to H.R. 18970 that would include the Sulfur Import Quota Bill (S. 4075) or any similar language.

As a cooperative serving farmer-owned organizations throughout the U.S. (Attachment A), we are strongly opposed to any type of legislation which favors a few private firms at the expense of several million U.S. farmers. Any restrictions on sulfur imports would do just that. We urge the Committee to oppose any attempt to amend H.R. 18970 to include import quotas on sulfur because:

1. Sulfur is a key raw material in the manufacture of phosphate fertilizers; and the price of sulfur has a substantial affect on phosphate production costs and on the cost of phosphate fertilizer materials to the farmer.
2. Approximately 50 per cent of all the sulfur consumed in the U.S. is used in the manufacture of phosphate fertilizers for agriculture,[1] and about one-third of the cost of producing a ton of phosphate fertilizer is the cost of sulfur.[2]

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[1] Sulfur, *Review and Outlook*, First Manhattan Company, 6/13/69.
[2] Industry sources and CF Industries.

3. Restricting sulfur imports would be an attempt to maintain artificially high sulfur prices, and would eventually lead to higher prices for sulfur and phosphate fertilizer.
4. Because of ample sulfur reserves in the U.S. and because of our country's potential for recovered sulfur production, there is no need to provide a protective, legislative shield around the domestic Frasch sulfur producers. Sulfur is and will continue to be in plentiful supply as long as restrictions are not imposed.
5. Attempting to maintain artifically high sulfur prices (by whatever method) can only add further difficulties to the fertilizer industry which has just begun to recover from a three-year period of depressed prices. The lowering of sulfur prices in recent months has been an important factor in this recovery.

The availability of lower-cost, by-product (or recovered) sulfur in recent months has put pressure on the domestic Frasch sulfur producers to bring their domestic prices in line with world sulfur prices. Most of this by-product sulfur is currently being produced in Canada, although similar operations are planned in the southeastern United States in the early 1970's.

Sulfur manufactured by the U.S. Frasch sulfur producers is currently being sold to U.S. phosphate producers at approximately $30 per ton (f.o.b. Tampa, Florida). Foreign phosphate producers are at the same time purchasing sulfur at prices ranging from $6 to $10 per ton less—which is more nearly indicative of the true world price for sulfur. It is reported that some of the lower priced sulfur going to foreign phosphate producers is being supplied by domestic sulfur producers who are now seeking price protection here but undoubtedly will continue to sell in world markets at lower prices.

This artificial difference in the price of sulfur makes it uneconomical for domestic phosphate producers to compete in the world market. Furthermore, this artificial U.S. sulfur price gives two U.S. phosphate producers (who are also the major Frasch sulfur producers) a definite competitive advantage over all other domestic phosphate producers who must purchase and do not produce their own sulfur.

Past history has shown that U.S. Frasch sulfur producers have been quick to increase prices at every available opportunity (Attachment B). When sulfur was in short supply in late 1967 and early 1968, the U.S. Frasch sulfur producers:

Steadily and substantially increased sulfur prices to a high of $42 per ton;

Two major sulfur producers entered into the manufacture of phosphate fertilizers and at the same time rationed sulfur supplies to other U.S. phosphate producers.

We would have to view import quota legislation with respect to sulfur as a "protectionist" attempt by the U.S. Frasch sulfur producers, and an effort to largely eliminate the competition of lower cost, recovered sulfur. In 1969, the output of recovered sulfur produced in Canada rose about 20 percent to 3.64 million tons.[3] In the U.S. in 1969, recovered sulfur accounted for only 1.5 million tons (or 15 percent) of a total of ten million tons of domestic sulfur production.[4]

A substantial amount of recovered sulfur is produced as a result of processing natural gas necessary for fuel. The amount of this type of by-product sulfur production has grown substantially in recent years and will continue to grow as more gas processing plants come on-stream.

Another growing source of recovered sulfur is a direct result of air pollution control efforts. To sharply reduce or eliminate sulfur emissions to the atmosphere, refineries and many other types of chemical plants are installing desulfurization equipment to recover sulfur. This source of by-product sulfur will continue to increase in both the U.S. and Canada as greater emphasis is put on air pollution control.

We urge the Committee to oppose any amendment to H.R. 18970 or the enactment of any other legislation that would include restrictions on the importation of sulfur.

Sincerely,

K. F. LUNDBERG, *President.*

ATTACHMENT A

CF INDUSTRIES, INC.—MEMBER COOPERATIVE OWNERS

Agway, Inc., Syracuse, N.Y.
Cotton Producers Association, Atlanta, Ga.
The Farm Bureau Cooperative Association, Inc., Columbus, Ohio.

[3] Industrial Minerals, March 16, 1970 issue.
[4] British Sulfur Corporation.

Farm Bureau Services, Inc., Lansing, Mich.
Farmers Union Central Exchange, Inc., St. Paul, Minn.
Farmland Industries, Inc., Kansas City, Mo.
FCX, Inc., Raleigh, N.C.
FS Services, Inc., Bloomington, Ill.
Indiana Farm Bureau Cooperative Association, Inc., Indianapolis, Ind.
Intermountain Farmers Association, Salt Lake City, Utah.
Land O'Lakes, Inc., Minneapolis, Minn.
Midland Cooperatives, Inc., Minneapolis, Minn.
Missouri Farmers Association Inc., Columbia, Mo.
The Ohio Farmers Grain and Supply Association, Fostoria, Ohio.
Southern States Cooperative, Inc., Richmond, Va.
Tennessee Farmers Cooperative, LaVergne, Tenn.
United Co-operatives of Ontario, Weston, Ont., Canada.
Western Farmers Association, Seattle, Wash.

ATTACHMENT B

SULFUR PRICES, DOLLARS PER LONG TON, BRIGHT SULFUR, F.O.B. GULF PORTS—U.S. PRODUCERS

	Domestic		Export	
	Price	Date	Price	Date
1965	$27.00	Mar. 15, 1965	$31	Feb. 15, 1965.
			36	June 15, 1965.
1966	29.50	Dec. 1, 1966	39	Dec. 1, 1966.
1967	33.50	Apr. 1, 1967	39	Apr. 1, 1967.
	39.00	Oct. 1, 1967	39	Oct. 1, 1967.
1968	42.00	Mar. 1, 1968	41–48	Jan. 1, 1968.
	41.00	Apr. 1, 1968		
1969	38.00	July 1, 1969	(1)	(1).
	35.00	Nov. 10, 1969	(1)	(1).
	32.00	Dec. 12, 1969	(1)	(1).
1970	30.00	Feb. 1, 1970	[2] 27 (22)	August 1970.

[1] Not available.
[2] Ex terminal Rotterdam, $27 bright sulfur (Sulphur Export Corp.); $22 dry sulfur (Oil, Paint & Drug Reporter).

Source of data: 1965–68, "Sulfur, A Basic Industry Study," First Manhattan Co., May 24, 1968; 1969–70, CF Industries, Inc.

Statement of Thomas F. Field, Taxation With Representation (A Public Interest Tax Lobby) Regarding the Administration's Domestic International Sales Corporation Proposal

INTRODUCTION

We wish to thank the Senate Finance Committee for this opportunity to present testimony regarding the Administration's Domestic International Sales Corporation (DISC) proposal.

Taxation with Representation is a nonprofit, nonpartisan public interest tax lobby that deals solely with federal tax issues. Its goal is to make sure that the general public is adequately represented by skilled professionals when tax issues are under discussion in Congress and in the Executive Branch.

Sponsorship of testimony by Taxation with Representation does not mean that the opinions expressed by a witness are necessarily those of all the other members, officers, or directors of Taxation with Representation. Sponsorship by Taxation with Representation does indicate, however, that the organization regards a witness's views as worthy of serious consideration by those concerned with the improvement of the federal tax system.

Mr. Chairman and Members of the Committee: The Administration's Domestic International Sales Corporation (DISC) proposal should be rejected. The major arguments against that proposal are the following:

1. *There is no evidence that DISC will significantly stimulate U.S. exports.* The Administration claims that DISC will cause an export gain of almost $1.5 billion per year when fully in operation. That claim is based on little more than wishful thinking. If one uses the best data available regarding the responsiveness of exports to possible DISC-induced price cuts, the conclusion is that DISC will increase U.S. exports by no more than $315 million per year. The Treasury's assertion that DISC will alter the outlook of corporate executives toward export markets

and thereby lead to additional export gains is necessarily based on guesswork and self-serving declarations by those exporters who stand to benefit if DISC is enacted. This does not constitute adequate proof of Treasury's claims regarding DISC's effect on exports.

2. *The cost of the DISC proposal is excessive.* When one compares costs and benefits, DISC is a bad bargain. Depending on the estimate one picks, the DISC proposal when fully in operation will cost between \$630 and \$955 million per year in lost revenues. Just a few weeks ago, President Nixon vetoed the appropriations bill for the Office of Education because it exceeded his budget request by \$453 million. By that standard, the DISC proposal is certainly expensive. It seems even more expensive when one compares these revenue losses with the relatively small export gains that are likely to result from adoption of DISC. Even the \$1.5 billion export gain predicted by Treasury is too small to justify revenue losses as large as those that are likely if DISC is enacted.

3. *DISC will create major tax windfalls.* Most of DISC's large costs result from the windfall features of the proposal. Two separate types of windfall are involved:

(*a*) If U.S. exporters simply maintain their exports at existing levels, DISC insures that their taxes on export sales will be at least halved. They will receive a tax benefit for simply doing what they are already doing. Even if their exports decrease, DISC's benefits will continue to be showered on them, to the extent that they remain in the export business. DISC is therefore a windfall in the strictest sense—an unexpected benefit that requires no additional effort on the part of the recipient.

(*b*) Advocates of DISC assume that at least part of the tax saving realized by an exporter will be passed along to foreign customers in the form of reduced prices. But there are a number of cases in which a reduction in the price of an exported product will have very little impact on the demand for that product. These are cases in which the U.S. product is purchased only because the supply of foreign goods is less than the foreign demand. Where this situation exists, it would be foolish for U.S. businessmen to reduce their export prices, because a reduction in price would reduce marginal revenues, thereby resulting in lower profits. Businessmen in these instances will seek to maximize profits by maintaining export prices at present levels and pocketing the tax reduction attributable to DISC. There has been very little respectable research on the extent of these windfalls. Until that research is done, it would be irresponsible to adopt the DISC proposal.

4. *DISC's tax benefits are equivalent to complete tax forgiveness.* DISC's advocates sometimes argue that DISC involves only deferral of tax liability, rather than tax reduction. However, as any rational businessman knows, there is little difference between tax deferral for an indefinitely long period and complete tax forgiveness. Under the DISC proposal, taxes can be deferred indefinitely, and in most cases it must therefore be assumed that the "deferred" taxes will not be paid at any time in the foreseeable future. From an economic and fiscal point of view, indefinite tax deferral of this sort is equivalent to complete tax forgiveness.

5. *DISC's administrative costs will be high.* Advocates of tax subsidies such as DISC frequently talk as though the subsidy program will be self-administering. In fact, tax subsidies are often more difficult and costly to administer than direct subsidies. Lawyers are needed to interpret the statutory terms in the authorizing legislation, additional revenue agents are needed to audit returns involving claims for tax benefits, technicians are required to handle the flow of revenue ruling requests, and the courts must take time to resolve tax disputes resulting from the legislation. At the corporate level, tax and accounting departments must be expanded to interpret new and complex legislation.

The most important administrative problem under DISC will be the separation of DISC income from other income. This will give rise to chronic disputes about the proper allocation of costs and receipts. Furthermore, the DISC proposal contains more than a dozen new tax concepts. Each of these new tax concepts will become the subject of regulatory, administrative, and judicial interpretation over an extended period of years. It is foolish to pretend that this process will be costless.

6. *DISC provides unnecessary benefits in the case of U.S. financed exports.* When the U.S. government finances U.S. exports through Export-Import Bank loans and other aids, there is no need for additional tax incentives such as DISC, particularly in those cases in which the aid recipient must purchase in the U.S. Yet the DISC proposal as drafted excludes from DISC benefits only those government-aided exports that are a result of sales to the U.S. Government itself, or that take place under the agricultural export program. This means that most

exports financed by the U.S. government remain eligible for DISC benefits. There is no justification for conferring tax benefits in these cases, since U.S. Government financing is, in itself, sufficient incentive to the exporter.

7. *DISC provides incentives for investment in foreign subsidiaries.* The ostensible purpose of DISC is to favor U.S. exporters rather U.S. owned foreign manufacturing subsidiaries. In fact, however, the DISC proposal as presently drafted contains a number of benefits for U.S. owned foreign subsidiaries. For example, some firms with excess foreign tax credits can benefit from DISC's conversion of domestic income into foreign source income. In addition, U.S. firms that sell machinery and parts to their own foreign subsidiaries are fully eligible for DISC benefits even though the result of the sale may be to benefit the foreign subsidiary more than the U.S. parent. Furthermore, section 933(a)(1)(G) of the bill, by extending DISC benefits to consulting firms, will probably reduce the cost of building manufacturing plants in foreign countries for U.S. firms.

8. *The DISC proposal overcompensates for the tax problems inherent in existing law.* The DISC proposal does much more than simply redress the existing disparity in the tax treatment of U.S. exporters and overseas manufacturing subsidiaries. It actually opens up a substantial tax discrimination in favor of exporters, thereby ending one discrimation by creating another.[1] This will doubtless lead to cries of "unfair competition" from the U.S. owners of foreign manufacturing subsidiaries. The ultimate result is likely to be a broadening of the tax deferral privileges now enjoyed by those foreign subsidiaries.

9. *The Treasury's revenue loss and export gain calculations have not been subjected to public scrutiny.* Treasury claims that DISC will increase exports by up to $1.5 billion per year at a revenue cost of $630 million annually. No information is available regarding the economic assumptions and methodology that underlie these calculations, nor has the Treasury indicated the data sources that it used when making these estimates. The result is that one must accept the Treasury revenue and export estimates on faith. The economics profession, the general public, and the Congress should not be asked to evaluate an important and costly proposal without an opportunity to assess the underlying assumptions and data that were used when the costs and benefits of the proposal were calculated.

10. *DISC will immensely complicate trade relations with Canada.* Under the U.S.-Canadian automobile agreement, auto components sometimes cross the U.S.-Canadian border several time before being incorporated into a finished vehicle. It will be difficult to tell whether and to what extent such components constitute "property for ultimate use in the United States," i.e. property which is ineligible for DISC benefits. Similar difficulties are likely to arise in other areas of U.S.-Canadian trade. To date, there does not appear to have been any serious examination of these DISC-induced problems.

11. *The DISC proposal contains no time limit.* Under the DISC proposal, as currently drafted, DISC tax benefits will continue indefinitely, whether or not the U.S. is experiencing balance of payments difficulties. This means that DISC benefits will continue to be granted after they are no longer needed.

12. *DISC imitates the deficiencies of foreign tax systems.* Advocates of DISC argue that foreign countries grant tax aids to their exporters and that we should grant similar tax aids to our exporters. But, as Professor Stanley S. Surrey of the Harvard Law School said in a recent article,[2] the United States would be ill-advised to "shop around the world, pick up the deficiencies of other (tax) systems, and move along inappropriate paths simply because other countries have chosen them or find them handed down by history." In his article, Professor Surrey called, instead, for U.S. leadership in developing sound international tax rules. The DISC proposal does not represent a step in that direction.

13. *Better means of solving balance of payments problems are available.* The U.S. balance of payments problem has many sources, but one of the most important is absence of any mechanism for making gradual adjustments in the exchange rates between currencies. Before adopting a palliative such as DISC, more serious consideration should be given to proposals for introducing limited flexibility in exchange rates. In addition, less far reaching proposals should also be explored, such as a more aggressive stance in trade negotiations and strengthened U.S. consular representation in overseas markets.

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[1] For further information on this subject, see Appendix A of the statement of Dr. Elliott R. Morss which appears in Volume 9 of the Hearings on Tariff and Trade Proposals before the Committee on Ways and Means of the House of Representatives. See p. 2607 at pp. 2614–2615.

[2] "Changes in U.S. Taxation of Business Abroad: The Possible Alternatives," Stanley S. Surrey, *The Journal of Taxation*, May 1970, p. 312.

14. *Tax discrimination against U.S. exports can be ended more cheaply.* Treasury argues that DISC is needed to achieve comparability between the tax treatment of U.S. exporters and the U.S. tax treatment of the foreign manufacturing subsidiaries of U.S. firms. But this same result can be achieved by ending the tax deferral privileges now enjoyed by U.S. owned foreign subsidiaries. Ending tax deferral for these firms would produce small revenue gains—instead of DISC's staggering revenue losses. Ending deferral would also encourage U.S. owned foreign subsidiaries to repatriate their earnings. This would result in substantial capital inflows, with corresponding benefits for the U.S. balance of payments.

It is true that ending deferral would probably result in some acceleration of tax payments on dividend remittances by U.S. owned foreign subsidiaries. DISC's proponents apparently regard this acceleration of corporate tax payments as undesirable. But this is certainly a much fairer solution to existing tax problems than is broadening the tax deferral loophole through DISC, because DISC involves a shifting of tax burdens from the corporate to the individual taxpayer. Under DISC, the ordinary taxpayer, including the ordinary wage earner and retired person, will have to pay as much as $955 million per year in additional taxes to make up for DISC-induced losses in the corporate sector.

AMERICAN COTTON SHIPPERS ASSOCIATION,
Washington, D.C., October 15, 1970.

Hon RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
New Senate Office Building,
Washington, D.C.

DEAR CHAIRMAN LONG: On behalf of the American Cotton Shippers Association I wish to express our strong support for legislation which would authorize the formation of Domestic International Sales Corporations, and our sincere desire that it be enacted in this session of the Congress.

The American Cotton Shippers Association was founded in 1924, and is basically comprised of merchants, shippers, and exporters of raw cotton, who are members of six federated associations, located in 14 states throughout the Cotton Belt:

Arkansas-Missouri Cotton Trade Association
Atlantic Cotton Association
Oklahoma State Cotton Exchange
Southern Cotton Association
Texas Cotton Association
Western Cotton Shippers Association

The 678 member firms of the ACSA handle over 70 percent of the domestic cotton crop and about 80 percent of the export market. The DISC proposal would provide for the deferral of U.S. taxes for our member firms who are domestic corporations engaged in export sales.

U.S. cotton exports have been reduced dramatically from a level of 7.1 million bales in the 1959/60 season to an estimated record low of 2.5 million bales in the 1969/70 season. This represents a reduction from 41.5% of the total world market in 1959/60 to an estimated 15% in the current 1969/70 marketing year. (See attachment.)

The DISC program provides some hope for coping with the various tax schemes devised by the cotton producing nations of the free world which have enabled them to preplace U.S. cotton in world markets.

To survive in the competition of the world market place the United States must make available a more favorable climate to facilitate the restoration of the U.S. to its former share of the world cotton market. It is our sincere hope that your committee will take favorable action on this very worthwhile proposal.

We respectfully request that this letter be included in the record of the Finance Committee Hearings on Foreign Trade.

Sincerely,

NEAL P. GILLEN,
Vice President and General Counsel.

Enclosure.

U.S. SHARE OF WORLD MARKET (1,000 BALES)

Season [1]	World exports	U.S. exports	U.S. share (percent)
1959–60	17,314	7,182	41.5
1960–61	16,828	6,632	39
1961–62	15,452	4,913	32
1962–63	15,855	3,351	21
1963–64	17,944	5,662	32
1964–65	16,829	4,060	24
1965–66	16,862	2,942	17
1966–67	17,889	4,669	26
1967–68	17,207	4,206	24
1968–69	16,808	2,731	16
1969–70 [2]	17,200	2,500	15

[1] Source :1959–60 to 1968–69 figures: ICAC January 1970 statistical bulletin.
[2] 1969–70 figures; USDA estimate.

STATEMENT OF THE INTERNATIONAL ENGINEERING AND CONSTRUCTION INDUSTRIES COUNCIL, SUBMITTED BY WILLIAM E. DUNN, EXECUTIVE DIRECTOR, ASSOCIATED GENERAL CONTRACTORS, D. A. BUZZELL, EXECUTIVE DIRECTOR, CONSULTING ENGINEERS COUNCIL, AND J. E. QUINN, EXECUTIVE VICE PRESIDENT, NATIONAL CONSTRUCTORS ASSOCIATION

The International Engineering and Construction Industries Council welcomes this opportunity to present its views with respect to Treasury's Domestic International Sales Corporation (DISC) Proposal.

The Council is composed of the Associated General Contractors of America, the Consulting Engineers Council of the U.S. and the National Constructors Association. The first comprises almost 9,000 general contractors, the second includes approximately 8,000 consulting engineers, and the NCA is composed of 33 firms of engineers and constructors. These three associations represent the engineering and construction industry in the U.S.A. and abroad, with a total annual volume of contracts approaching seventy billion dollars, 10% of which are performed abroad. Of this amount, more than 60% are actual exports of goods, equipment and materials derived from U.S. engineering and construction services.

1. EXTENSION OF DISC TO COVER ENGINEERING AND CONSTRUCTION SERVICES

In testimony before the House Committee on Ways and Means, and in a statement entered into the record, the Council endeavored to obtain extension of the DISC to cover engineering and construction services. A number of studies, such as the recent report by the Advisory Committee to the National Export Expansion Council, have established that export of American "know-how" not only contributes to, but is a definite determinant in the export of equipment and materials. Agencies of the Government such as the Export Import Bank, the Agency for International Development, and the Department of Commerce increasingly recognize that engineering and construction services are true exports and offer assistance to support them. Modification of the original text to include engineering and architectural services connected with construction projects abroad was a first step in the right direction, but this step was incomplete in that it did not mention two phases of these services which are essential:

(*a*) The Council submits that many services other than purely "engineering" should be included amongst those subjected to deferral of taxes under the DISC proposal: these include supervision of construction, actual construction, procurement, training, management assistance, and many others. It is, therefore, recommended that these be included as "contracted services" connected with construction projects aboard.

(*b*) The Council further submits that the use of American patents and know-how referring to process and application in most cases results in the selection of American equipment for implementation; when such patents are licensed for use in construction projects abroad, the income derived therefrom through royalty payments or for the performance of technical services connected therewith should be subject to tax deferral under the DISC provisions.

It is, therefore, the Council's recommendation that the wording of the proposed statute be modified to read:

. . . "engineering, architectural, or connected services, royalties or technical service fees derived from licensing of American patents and know-how connected with construction projects abroad."

2. CLARIFICATION OF APPLICABLE SOURCE INCOME

In the limitation of income attributable to a DISC to a minimum of 95% of foreign origin, the following clarifications might prove helpful:

(*a*) Remove the risk of misinterpretation of this requirement by establishing disqualification for non-compliance over a number of years (e.g., three years) so that if the income source and asset utilization tests are not met at any point, corrective action can be taken by the corporation.

(*b*) As an additional measure, allow a DISC to retain qualification by distributing non-export income, if it occurs, in situations where the 95% gross income test would be foiled.

(*c*) Establish as allowable source of foreign income to a DISC:

(i) Payments for non-U.S. personnel performing services abroad for a DISC employer directly or through its foreign subsidiaries.

(ii) Payments for non-U.S. equipment or materials acquired by a DISC or its foreign subsidiary as part of an export sale by said DISC or its foreign subsidiary.

(iii) Payments to a DISC or a foreign subsidiary of same for licenses, royalties, or technical services of U.S. origin.

3. REMOVAL OF ARMS-LENGTH REQUIREMENT OF SECTION 482 IRC

In transactions between U.S. parent and foreign subsidiary companies, existing inequities of Section 482 of the Internal Revenue Code should be clearly and specifically relieved. Present "arms length" requirements should be eliminated between the parent company and the DISC, and in turn between the DISC and foreign subsidiaries or branches. Incremental costs could be considered as a possible basis for such transactions.

4. PROVISIONS FOR TERMINATION OF DISC

In view of the fact that the tentative proposal does not provide a fixed termination for the existence of a DISC it is recommended that, recognizing the possibility of its sudden termination which would compel the immediate payment of all previously deferred taxes, provisions should be included to allow a DISC, whether the cause of termination be voluntary or involuntary, to terminate its special tax status gradually and to pay incurred taxes over a period of years.

5. TAX-FREE CORPORATE REORGANIZATIONS

Corporate reorganizations which might result from the adoption by the Congress of the DISC proposal should be specifically free of taxes which might result therefrom.

6. GUIDANCE AS TO ACCOUNTING PRINCIPLES

Present accounting principles do not take into account such tax deferrals as would be offered by the proposed DISCs and these principles will require modifications; this will apply more especially to interpretations by the Office of International Operations of the Internal Revenue Service. Provisions should be incorporated to present suitable guidance and interpretations of the intent of the measure.

The proposed DISC with amendments suggested herein would contribute some redress to a situation which has been a major factor in placing the U.S. engineering and construction industry in a poor competitive position in world markets and has consequently been a factor in the decline of our balance of trade.

It is generally recognized that unless a U.S. firm has specified U.S. goods, equipment or materials, such purchases are most likely to be made in other countries.

7. VALUE-ADDED-TAX

A further incentive to U.S. exporters of services would be the adoption of a value-added-tax, rebatable on exports and assessed on imports of services of foreign sources. This formula, which is becoming more prevalent in Europe, is accepted as legitimate under GATT rules. This new departure would have to be accompanied by a suitable reduction in direct taxes on foreign-based income of exporters of goods and services.

In any case, the members of our associations welcome this initiative as a first step in the right direction. This will grant some relief, if proper qualifications are introduced, to a situation which has worked to the detriment of our balance of trade and of our balance of payments.

Statement of Freeport Sulphur Company Submitted By Richard C. Wells, President

Freeport Sulphur Company, founded in 1912, has for more than half a century been engaged in the domestic production of elemental sulphur. Our mines are located in Louisiana and off its coast. We submit this statement at a time of unprecedented challenge to the domestic sulphur mining industry. Freeport and other domestic producers are presently suffering serious injury because of the large and growing volume of foreign sulphur being forced into already fully supplied U.S. markets through the device of successively lower prices. Our testimony is offered to support the enactment of trade legislation which will provide to the domestic sulphur mining industry early and meaningful relief from the damaging effects of these imports.

BACKGROUND OF THE CURRENT PROBLEM

Sulphur is produced commercially in elemental form (brimstone)—either by the Frasch process, by recovery from sour natural gas or petroleum refinery gases, or from native ores—or it is derived commercially from chemical combinations such as pyrites and smelter gases. Production figures from Free World sources for 1968, 1969, and 1970 are given in *Exhibit A*. The Frasch hot water process for reaching underground brimstone reserves is the principal method of producing sulphur in the United States. Utilizing this method, companies operating in Texas and Louisiana last year produced 7,145,000 tons of sulphur, as compared with 7,455,000 tons the previous year. Freeport's brimstone production in 1969 was approximately 3,400,000 tons, as compared to approximately 3,900,000 tons in 1968.

While domestic producers are fully capable of meeting all domestic sulphur needs, there has been a tradition of international trade, with some U.S. sulphur being exported and some foreign sulphur being imported. Last year, for the first time in half a century, the United States imported more brimstone than it shipped out of the country.

The U.S. demand for sulphur—on the order of 9,600,000 tons this year—comes from virtually every segment of the economy, and it is relatively inelastic. Among the products dependent upon sulphur at some point in their manufacture or processing are fertilizers, chemicals, dyestuffs, pigments, pulp and paper, film, iron and steel, rayon, vulcanized and synthetic rubber, insecticides, and fungicides. (*Exhibit B* shows Free World and U.S. consumption figures.)

Because sulphur represents so minute a part of the cost of most of the final products it helps to make, the level of sulphur price does not affect the level of consumption. To illustrate, a $1.00 per ton reduction in the price of sulphur would reduce the cost of a gallon of exterior paint by one-tenth of a cent, the cost of four passenger tires by one-half of a cent, the cost of a short ton of viscose rayon staple by 77 cents, and the cost of a short ton of diammonium phosphate by 39 cents. The author, William Haynes, noted in the authoritative book, *Brimstone: The Stone That Burns*, "A stubborn fact of the brimstone market is that lower prices do not increase sales, not a single ton . . ."

Sulphur prices—while they do not affect demand—have a demonstrable effect on supply. Historically, high prices have resulted in exploration for and development of new sources of supply. Low prices have retarded exploration and development, leading to shortage. There was a period of oversupply and reduced prices in the late 1950s and early 1960s, followed by the four-year period 1963–1967 in which production lagged behind consumption. Fortunately, the deficit was filled from producer stockpiles and no disastrous shortage was experienced. Prices rose sufficiently to stimulate the development of new production, and supply again caught up with demand.

NATURE OF THE CURRENT PROBLEM

During the last few years, the historic working of the law of supply and demand in sulphur has been upset by a new factor—the rapidly-increasing production of vast quantities of brimstone recovered from sour natural gas in the Province of Alberta in Western Canada, with little or no regard for the condition of the sulphur marketplace. Hydrogen sulphide, which must be separated from the sour natural gas to make the gas salable, is converted to brimstone and the production is thus regulated by natural gas demand and not by sulphur demand. The recent and current strong demand for natural gas has resulted in increases in the production of by-product sulphur. As *Exhibit A* shows, Western Canadian recovered sulphur has accounted for the single largest increase in Free World production; and it has been the dominant factor in the serious condition of oversupply.

From the start of 1968—the first year of oversupply—to the end of 1969, the daily production rate of recovered brimstone in Alberta increased by more than 60 percent. Alberta's production has tripled in the last six years. In 1968, Alberta surpassed the United States for the first time as the world's largest exporter of sulphur. Moreover, production from Western Canada is expected to increase from 3,715,000 tons in 1969 to 4,250,000 tons in 1970. Canadian sulphur exports totaled slightly more than 2,000,000 tons in 1969, with more than 900,000 tons entering the United States. These exports are forecast this year at about 2,500,000 tons, including more than 1,000,000 tons into this country. The impact on sulphur prices has been inordinately greater than the tonnages involved.

In their efforts to force ever-increasing quantities of by-product sulphur into the already fully supplied U.S. markets, Alberta producers and their brokers have progressively reduced prices. U.S. brimstone producers, in order to hold business, have had to meet these insistently-lower prices. The resultant chaos in sulphur pricing is illustrated in *Exhibit C*, documenting the decline in Canadian prices to customers in the U.S. Midwest market (f.o.b. Alberta shipping point) from a high of $38 (U.S.) per long ton to a low of $10 during the period June 1, 1968 to June 1, 1970.

EFFECTS OF THESE CONDITIONS

The drastic reductions in the price of sulphur have had serious, adverse effects both in Canada and in the United States. Total revenues from sales of Alberta sulphur have declined despite the large increases in production and tonnage sales, resulting in loss of income to the Province of Alberta and to the Dominion of Canada. However, of more concern to Freeport and, we believe, to this Committee, is the damage being caused in this country by these imports at depressed prices. Relying primarily upon our company's experience, we would like to characterize the nature of this injury.

1. *Domestic sulphur mines are being shut down.* As a result of deteriorating market conditions from early 1969 to the present time, six Frasch mines in the U.S. have been forced out of business. These mines, located in Louisiana and Texas, had a total productive capacity of more than 1,250,000 tons per year. They are listed in *Exhibit D*. Most of these mines have been permanently abandoned, and their remaining reserves of sulphur permanently lost. Four additional U.S. mines are marginal at existing price levels and will have to be shut down in the event of further price deterioration, resulting in an additional loss in productive capacity of 560,000 tons per year. One of these mines—Texas Gulf Sulphur Company's "Old Gulf" mine in Matagorda County, Texas—is, in fact, already scheduled to be shut down, according to an announcement recently made by the company.

2. *Workers' jobs are declining.* Unemployment has already been caused by the closing of the six domestic mines and the jobs of workers at the marginally operating mines are threatened. In addition to those unemployed because of mine closings, other workers in support jobs in the sulphur industry have been laid off. Since January 1, 1969, Freeport has had to reduce employment in its sulphur operating organization by more than 25 percent.

3. *Company operations and earnings are being reduced.* As mentioned earlier, Freeport's brimstone production last year was down some 500,000 tons from the year previous. Realization from sales, however, at the price levels caused by Canadian imports, were even more depressed. Freeport's net earnings from all

sources in 1969 were substantially reduced from the previous year and further declines are being felt in 1970. Our net earnings per share fell from $2.61 in 1968 to $1.84 in 1969. For the first six months of 1970, net earnings per share were 48 cents as compared to $1.05 for the first half of 1969 and $1.26 for the similar period in 1968. Under the circumstances, Freeport in April reduced its quarterly dividend rate from 40 cents to 20 cents per share.

4. *Domestic sulphur exploration has been curtailed.* Hampered by the loss of profits which would ordinarily be invested in the costly search for new domestic sources of sulphur, U.S. companies, have virtually halted exploration in the U.S. and offshore. When the Department of the Interior offered for leasing a large number of tracts in the Gulf of Mexico off the coast of Louisiana, it considered the bids to be so inadequate that it rejected nearly all of them.

The jeopardy being posed to the future of the U.S. sulphur mining industry adversely affects the national interests. The continued abandonment of sulphur mines and the curtailment of exploration for new reserves critically weaken the nation's dependence upon a vital raw material available from domestic sources.

THE NEED FOR GOVERNMENT ACTION

In Canada, according to press reports, oil and gas producers and the Alberta government are conferring on the sulphur problem. It is hoped that a voluntary program of export control within Canada, restoring some degree of price stability to the sulphur market, might be agreed upon. However, while wishing these considerations every success, we cannot relinquish our clear responsibility to our employees, our stockholders, and to the nation to couple with our presentation of the foregoing facts an appeal to you for meaningful assistance.

The critical condition of the U.S. sulphur mining industry, and a course of action to alleviate this condition, have already been brought to the attention of the Senate by the distinguished chairman of this Committee and by the distinguished junior Senator from Texas. We would like to present as *Exhibits E* and *F*, the Congressional Record transcripts of statements made by Senator Long and Senator Tower in support of legislation to limit the importation of sulphur.

We wholeheartedly endorse Senator Long's bill (S. 4075) as a means of limiting, although not prohibiting, the entry of foreign sulphur into U.S. markets. The effect of this legislation would be to prevent the unmitigated growth of foreign sulphur in the domestic market. The significance of and need for such action as it would affect Canadian sulphur are indicated in reports such as the following, a portion of a story from *Oilweek* of April 20, 1970, discussing natural gas plant construction in Canada:

"One spectacular result of the gas plant expansion will be a boom in elemental sulphur production, over which there is no control. Production this year is forecast as 4.5 million tons, up from 3.6 million tons last year. The addition of nearly 2,000 tons a day capacity during 1970 will probably raise 1971 production to about 5.3 million tons. In 1971 the completion of new facilities rated at more than 6,000 tons a day puts a potential of 7.5 million tons on 1972 production."

Senator Long's bill would control the amount of sulphur imported from Canada in 1971 to the average imported during the period 1965–67. This would allow the importation of about 700,000 tons, as compared to the more than 1,000,000 tons projected for this year. It would provide a basis for a return to economic stability in the sulphur business.

Freeport believes, with Senators Long and Tower, that the best interests of the domestic sulphur-mining industry and of the nation demand early and appropriate attention to the crucial sulphur situation. We believe that H.R. 18970, the Trade Act of 1970 as approved by the House Ways and Means Committee, offers an avenue of relief in the liberalization of the criteria for establishing injury under the tariff adjustment and adjustment assistance provisions of the Trade Expansion Act of 1962. The Trade Act of 1970 needs to provide clear safeguards against continued and increased injury to the domestic sulphur mining industry. We respectfully request this Committee to express itself affirmatively in this respect. If, in the view of the Committee, it is determined that the proposed new Trade Act requires amendment to ensure these safeguards, we urge full consideration of the practicable and equitable approach contained in Senator Long's bill. Thank you for allowing us to make this presentation.

EXHIBIT A.—FREE WORLD PRODUCTION OF SULFUR IN ALL FORMS

[In thousands of long tons]

	1970	1969	1968
Brimstone:			
Frasch:			
United States	7,020	7,145	7,455
Mexico	1,380	1,610	1,585
Total	8,400	8,755	9,040
Recovered:			
Western Canada	4,250	3,715	3,040
Lacq	1,720	1,675	1,580
United States	1,580	1,440	1,365
Middle East	445	110	35
Other	895	720	625
Total	8,890	7,660	6,645
Ores and other brimstone	610	645	685
Total brimstone	17,900	17,060	16,370
Nonbrimstone:			
Pyrites	6,710	6,770	6,610
Gases	4,250	3,810	3,550
Other	590	610	615
Total nonbrimstone	11,550	11,190	10,775
Total sulfur	29,450	28,250	27,145

EXHIBIT B.—FREE WORLD CONSUMPTION OF SULFUR IN ALL FORMS

[n thousands of long tons]

	All forms		Brimstone	
	1970	1969	1970	1969
North America:				
United States	9,600	9,275	8,240	8,010
Canada	1,075	1,125	460	610
Mexico	475	425	440	390
Total, North America	11,150	10,825	9,140	9,010
Rest of world:				
British Isles	1,575	1,525	975	900
Western Europe	5,925	5,675	2,800	2,625
Medium and Middle East	4,050	3,700	1,300	1,125
India	650	550	575	450
Other Africa and free Asia	4,200	3,875	1,100	975
Oceania	825	825	600	625
Latin America	675	675	660	660
Total, rest of world	17,900	16,825	8,000	7,300
Total, free world	29,050	27,650	17,150	16,310

EXHIBIT C.—DECLINE IN PRICE OF CANADIAN SULFUR: SUMMARY OF THE DECLINE IN THE PRICE OF RECOVERED SULFUR PRODUCED IN WESTERN CANADA

[In terms of Canadian prices (f.o.b. Alberta shipping point) to customers in the U.S. Midwest market; U.S. dollars in long tons]

	Canadian price	
	From—	To—
June 1, 1968	$38	$35
Aug. 1, 1968	35	33
Jan. 1, 1969	33	30
Apr. 1, 1969	30	27
May 1, 1969	27	25
June 1, 1969	25	20
Aug. 15, 1969	20	17
Oct. 1, 1969	17	15
Jan. 1, 1970	15	12
Apr. 1, 1970	12	11
June 1, 1970	11	10

EXHIBIT D.—SULFUR MINES SHUT DOWN IN THE UNITED STATES SINCE MARCH 1969

Date suspended	Mine	Production capacity (LT/year)
Mar. 24, 1969	Caminada, La. (offshore)	700,000
Oct. 31, 1969	Nash, Tex.	60,000
Feb. 24, 1970	Sulphur, La.	20,000
Mar. 15, 1970	Chacahoula, La.	120,000
Apr. 9, 1970	Heiner Field, Tex.	260,000
Apr. 10, 1970	Orchard, Tex.	100,000
Total		1,260,000

Exhibit E, a speech of Hon. Russell B. Long, relative to sulfur imports was previously made a part of the printed record at pages 251–258.

EXHIBIT F

[From the CONGRESSIONAL RECORD—Senate—*July 16, 1970*]

SULFUR MINING INDUSTRY

Mr. Tower. Mr. President, one of the basic and essential industries of the United States, the sulfur mining industry, is under increasing economic stress. Unless this stress is relieved, the sulfur producing capacity of the United States may be irreparably impaired.

Since 1968, the market price of sulfur at the mine in Canada has declined from approximately $38 per ton to the present level of approximately $11 per ton. This drastic decline in the market price has caused six U.S. sulfur mines to be closed down, five others to be on the verge of closing, and others have been forced to lay off workers, restrict production, and reduce dividends to stockholders. Unless the situation is relieved, additional mines may have to be closed.

The cause of this economic harm to the domestic sulfur industry is the direct result of large and increasing imports of sulfur from our good neighbor to the North, Canada. Since 1968, this imported sulfur has been consistently priced below our own sulfur. The Canadians were attempting to capture our domestic markets by selling theif sulfur at prices below the U.S. prices?

How could the Canadians consistently price their sulfur below our price? For the answer to this question, we must examine the differences between the processes by which the two countries extract the sulfur and ready it for market.

In the United States, the Frasch process is employed to extract most of our sulfur. This is the process by which superheated steam is injected into the raw sulfur deposits under the ground. The steam melts the sulfur which is then brought to the surface and stored.

The Canadians, on the other hand, extract their sulfur from a certain kind of natural gas produced there which contains a high percentage of hydrogen sulfide. In order to prepare this "sour" gas, as it called, for the market, the hydrogen sulfide must be removed. This leaves the "sweet" gas which can then be sold. Once the hydrogen sulfide is removed, it is converted into pure sulfur. The process of extracting hydrogen sulfide from the "sour" gas and converting it into pure sulfure is performed at much less cost than our own Frasch process.

Further, it can be seen that the amount of sulfur produced in Canada is directly related to the amount of demand for Canadian "sour" gas. Since there is no cost which can be allocated to the sulfur, it is not related to the market demand for sulfur.

The Canadians normally allocate the cost of extracting the hydrogen sulfide to the cost of purifying the "sour" gas. This cost is not borne, and is, therefore, not reflected in, the price which the Canadians must charge for their sulfur.

So, as the demand for Canadian "sour" gas increased, as it has since 1963, the amount of sulfur extracted from the "sour" gas increased accordingly. The Canadians attempted to seize U.S. and other sulfur markets in order to sell their less expensive sulfur and could do so at prices under those existing in the United States.

The Canadians are succeeding in capturing our markets. Prior to 1969, the United States was a net exporter of sulfur. We are now a net importer. The 1965 through 1967 imports of sulfur from Canada to the United States averaged 703,000 tons per year. On the basis of the first 4 months' imports of 1970, the projected imports of sulfur from Canada into the United States for the entire year of 1970 will be approximately 1,117,000 tons. This is a substantial increase.

Mr. President, in order to prevent further disruption of our own sulfur industry, immediate steps must be taken.

S. 4075 was introduced on July 10, 1970. That bill, if enacted, would accomplish the desirable result of stabilizing the domestic sulfur industry from imports of sulfur from all foreign sources by limiting the amount of sulfur which can be imported. Since the Canadian flood of byproduct sulfur represents the more serious threat to the domestic industry, I will use those import figures in explaining how the bill would operate.

Imports would be limited by a two step process:

First. For the calendar year 1971, the amount of sulfur which could be imported from Canada would be reduced to the 703,000 ton level. This was the average quantity of sulfur imported into the United States from Canada for the years 1965 through 1967.

Second. For subsequent years, the amount of Canadian sulfur which would be allowed to be imported into the United States would vary from this 1971 base figure. It would vary either up or down by the same percentage as changes in domestic consumption varied during the previous year. For example, if the U.S. domestic consumption increases by the expected 4 percent in 1972 over the consumption in 1971 base year, then, the amount of sulfur which could be imported from Canada and sold in the United States would be 4 percent more than the 1971 base figure of 703,000 tons.

Mr. President, this is a fair and equitable method for protecting our own industry and, at the same time, allowing the Canadians to participate in our markets.

This industry contributes substantially to the prosperity, health, and security of this Nation. Sulfur is a basic and necessary ingredient of many vital products.

Since 1969, the United States has become a net importer of sulfur. Hence, our balance-of-payments problem has become further aggravated by these large and increasing imports of sulfur from Canada.

Mr. President, I ask careful consideration of S. 4075.

[Telegram]

DWIGHT HAVENS, *President,*
Greater Detroit Chamber of Commerce
Detroit, Mich., October 12, 1970.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate,
Washington, D.C.:

The greater Detroit Chamber of Commerce, broadly representing the metropolitan Detroit business community, wishes to express its strongest opposition to attaching as a rider to a nongermane social security bill the foreign trade bill as approved by the Committee on Ways and Means, H.R. 18970. Due to the impossibility of testifying in person because of the unannounced public hearings on this subject October 9, and 12, the Chamber takes this opportunity to voice its opposition to all of the restrictionist and protective sections of the trade bill. Passage of this legislation except for its few good features such as the removal of ASP, the establishment of DISC, and strengthening of trade adjustment procedures, would set back U.S. commercial policy by 30 years and may indeed be the cause of expensive retaliation. Many of the Quota provisions make a mockery of attempts to control inflation. The most serious consequences of passage of this legislation would be suffered by the American consumer and the most efficient of American industries namely export-minded companies.O ur detailed views on current foreign trade legislation are part of the hearings' record of the House Committee on Ways and Means pages 1636 to 1642. We request this telegram be made part of the record of hearings on this subject.

AMERICAN SOYBEAN ASSOCIATION,
Hudson, Iowa, Ocgober 19, 1970.

COMMITTEE ON FINANCE,
Senate Office Building,
Washington, D.C.:

DEAR MR. VAIL: On the basis of your telegram of October 16, I am submitting to you a copy of my statement before the Committee on Ways and Means of the House of Representatives on June 16, 1970. I request that you enter this statement as a part of the printed hearing, which states the position of the American Soybean Association relative to the trade bill.

We have updated the information on Page 5, which now includes final figures for the marketing year. Soybean exports during this past marketing year totaled 429,000,000 bushels. Soybean meal exports increased by 25% to approximately four million tons or the equivalent of an additional 173,000,000 bushels of soybeans.

We deeply regret that we were not permitted to testify before the Committee, but we do appreciate having the opportunity of presenting a written statement that becomes a part of the printed statement of the hearings.

Sincerely,

D. LESLIE TINDAL,
President.

Enclosure.

STATEMENT ON BEHALF OF THE AMERICAN SOYBEAN ASSOCIATION BY LESLIE TINDAL, PRESIDENT, BEFORE THE COMMITTEE ON WAYS AND MEANS, ON TARIFF AND TRADE INCLUDING H.R. 16920

Mr. Chairman and members of the committee: My name is Leslie Tindal. I farm 1600 acres near Pinewood, South Carolina where I raise cotton, corn, soybeans, cattle and hogs. I am appearing before your Committee as President of the American Soybean Association * * * a growers organization with 17 affiliated state soybean associations.

SUMMARY STATEMENT

The American Soybean Association favors the stated objective of the proposed Trade Act of 1969 to move toward fewer trade restrictions and agrees with the 4 goals outlined in the President's message last fall. The Association opposes legislation creating additional import restrictions that could result in retaliation by other countries causing a reduction in exports of U.S. soybeans or soybean products.

The United States has a good trade record imposing fewer restrictions than most countries. Our Association recognizes the need for reasonable protection from unfair foreign competition, especially dumping by another country. We recognize this Committee and Congress have a difficult job weighing the threat to employment in the textile and shoe industries against the possible loss of sales to our major trading partners.

I appreciate the opportunity to testify on behalf of the American Soybean Association to call your attention to the fact that the tremendous overseas demand for soybeans and soybean products means jobs for hundreds of thousands of Americans; creates billions of dollars in new wealth in our rural areas and our cities; and contributes more towards the U.S. balance of payments than any other agricultural commodity.

Our Association, representing soybean growers, is concerned that restrictive action, such as that proposed in House Bill 16920, may limit the potential for increased sales of soybeans and soybean products in one of two ways * * * by retaliation in the form of new trade barriers or failure to reduce present tariffs, or by lack of funds with which to buy because of reduced trade currency. Trade begets additional trade, and production, on a multiplier basis. As the money turns over and over, one dollar in trade leads to many additional dollars in production and trade in the United States. The Marshall Plan, for example, proved that. Conversely, a limitation that stops a dollar in trade shrinks economic activity, also on a multiplier basis. So while bill 16920 deals specifically with textiles and footwear, soybean growers are equally concerned with any other restrictive action that would materially affect our major trading nations.

I would like to enlarge on those points in a minute.

APPRECIATION

On behalf of the American Soybean Association I want to commend the Chairman, and members of the House Ways and Means Committee who participated, for their strongly worded, effective resolution last year that aided in preventing an EEC tax on soybean products. It was a critical period for farmers, the soybean industry and the nation. The threat remains which is one of the reasons for my appearance here today. Mr. Chairman, I hope you and members of the Committee will continue to take positive action whenever the EEC threatens to impose either a tax or a levy on soybeans, meal or oil. It may take the action of the full Congress in the final round.

I also want to commend the President's Special Trade Representative, Ambassador Carl Gilbert, and his staff, for their prompt action 5 months ago which played a significant role in preventing EEC consideration of a compensatory levy on soybeans and soybean products.

Now to develop the points I made in my opening summary statement. . . .

I. Soybeans provide jobs and create wealth

U.S. farmers harvested 41,000,000 acres of soybeans last fall. That means some $2,600,000,000 (USDA) in new wealth to farmers. Since every bushel harvested is sold through the local elevator, 60% are processed through 132 plants in this country, and all are transported by truck, rail and barge from 2 miles to 10,000 miles, this means more jobs and money, not only to hundreds of thousands of producers but thousands more workers in industry, transportation and shipping. It means jobs and profit for those who sell farm machinery, chemicals and other soybean production inputs plus the man on main street selling groceries and shoes. A lot of jobs and a lot of money ride on keeping, and increasing, that 40% of the soybean crop that goes overseas each year . . . then brings back trade dollars . . . an estimated $1,400,000,000 this marketing year.

Let me take it to the state level. House Bill 16920 deals with shoes and textiles.

St. Louis is concerned about a possible loss of jobs and revenue because of competition for their shoe industry . . . and rightfully so. It deserves the fullest study. But, I want to remind you that 45,000 farmers (ASCS estimate) in Missouri raise soybeans. They have hundreds of elevators, 4 large processing plants and major river terminals at Kansas City, St. Louis and other points . . . all creating jobs and revenue. Last year soybeans created $246,000,000 (USDA) in new wealth at the farmer level in the state of Missouri. With the Missouri River running through the state and the Mississippi River running the entire length of the state, Missouri has a major stake in foreign trade for soybeans and the products of their processing plants.

In my own state of South Carolina the textile mills are important to the economy of the state. They provide jobs . . . salaries and a tax base. But so do soybeans. You don't see a lot of men coming together at one place for the 8:00 a.m. shift. You don't see a parking lot full of cars. We don't have a weekly payroll figure. But soybeans provide a job and income for 22,000 farmers, several hundred elevator operators, 7 processing plants and transportation workers. We are proud of the great sales job our Charleston port has done so that a great percentage of our market is overseas. In 1968 we had a severe drought and soybeans still returned farmers $30,000,000 (USDA).

I recognize soybeans do not return anywhere near as much in my state as textiles but I want to point out my state is number 13 in the nation in size of crop. Sales from the 1969 crop in South Carolina will likely total $54,000,000 (figuring a $2.40 per bushel average on 22,500,000 bu.). The value of the crop in the other major producing states goes on up to over $500,000,000 in Illinois (USDA). It is not possible to estimate the salaries paid to those handling the beans from the time the farmer sells them until they reach the consumer.

Soybeans are the No. 1 or No. 2 crop throughout much of the Cotton Belt of the South in states like Arkansas, where soybeans are valued at an estimated $200,000,000 at the farm level, Mississippi and the Carolinas as well as the Corn Belt states of Illinois, Iowa, Missouri, Indiana, etc.

As I said earlier I'm a cotton farmer and have been a booster for cotton for years. But I'm also a soybean grower. I've studied this problem for a long time and I am here to speak up for soybeans.

While employment in the northeast is important to the nation so is employment of farmers and a vast segment of agribusiness through the great soybean producing areas of the midwest and midsouth from Ohio to Minnesota to Arkansas and Louisiana.

II. A favorable export climate is essential

I have pointed out that to farmers and different segments of the industry soybeans provide employment and generate money in the U.S. Much of the success of this industry depends on exports. First, over 40% of the crop goes overseas as I have pointed out. While there has been a growth in domestic consumption this year, as in past years, the greatest growth has been overseas both for soybeans and soybean meal. As of last month, soybean and soybean meal exports were each up by one-third this marketing year compared with last year. (Soybean exports are expected to increase from 287,000,000 bu. last year to an estimated 405,000,000 bu. this marketing year.)

The reason soybean production has increased year after year has been largely due to increased foreign sales. This has provided farmers with a profitable cash alternative crop when all other major crops have been under acreage restrictions. This has meant more jobs, helped make the farm program work, and cost the taxpayer relatively little.

Our negotiators success in gaining binding duty free entry for soybeans and meal into most of our major markets during the Kennedy Round of GATT has proven more meaningful than many realized at the time. At that time Japan agreed to cut her high tariff in half in five years. She met that commitment 20 months early. Japan should eliminate the tariff (which remains at 6½% or 2.40 yen per kilo which is $6.67 per metric ton or 17.7¢ per bushel) but talks are stalled now while Japan waits to see the action taken by this Congress before giving away any bargaining power on her most important import from the U.S. . . . soybeans.

Here it is appropriate to point out that Japan bought $220,000,000 worth of soybeans in CY69. That is an increase of nearly $6,000,000 over the year before. Taiwan bought over $40,000,000 worth of soybeans, an increase of $3,000,000 over the year before (see attached fact sheet). We can expect an 8% to 10% increase in sales to both countries in the years ahead.

So Japan and Taiwan, the No. 1 and No. 2 sellers of textile products to the U.S. are also the No. 1 and No. 2 buyers of soybeans in the Far East.

Europe buys over half of all the soybeans sold and more than three-fourths of the soybean meal (USDA). The EEC accounts for about a half-billion dollars in sales of soybeans and soybean meal. Sales to the EEC from this one crop equals $100,000,000 more than all the textile fabrics and apparel combined the Common Market countries sold to the U.S.

Germany is our No. 1 buyer of soybeans and meal in Europe paying $216,000,000 last year with the dollars earned as the No. 1 European seller of textile products to the U.S. The other major buyers of our commodity in Europe in order are The Netherlands, France, Spain and Italy. You quickly recognize that the ones who sell to us are the ones who buy from us.

Country	Value of beans and meal	Increase over year before
Germany	$216,000,000	$21,000,000
The Netherlands	115,000,000	18,000,000
France	111,000,000	6,000,000
Spain	101,500,000	11,000,000
Italy	67,000,000	6,500,000
Japan	220,000,000	6,000,000
Taiwan	41,000,000	3,000,000

Note: Figures for Germany, France, and the Netherlands are for calendar year 1969. This is an estimate since much of the meal and beans are transshipped through the Rotterdam port. These figures present a more true picture than export figures which list the destination of the ship, not the eventual destination of the beans or meal. Figures for the other countries are actual for the 1968–69 marketing year, figuring a price at port of $2.82 per bushel, 1967–68, and $2.75 per bushel, 1968–69, and meal at 93 per ton and 90 per ton.

Earlier I spoke about the major trade crisis that developed between the U.S. and the European Economic Community. The threat of an EEC tax, or worse yet, a compensatory levy is still very much alive. When I was in Europe last fall several leaders of the soybean industry in different countries, especially the German Oil Millers and the German Margarine Manufacturers, warned there are certain EEC leaders waiting for an excuse to rally world support behind their scheme to raise money by taxing their major agricultural imports . . . soybeans and soybean meal. The German organizations and others in Europe have worked hard to prevent this unjustified tax or levy but they frankly said we've done all we can and what really counts is what you folks in the U.S. do. EEC leaders have said if the U.S. restricts imports of textiles and shoes they'll do the same to soybeans. Congress must keep in mind this half-billion dollar market and weigh the consequences, not only directly to soybeans but indirectly to the whole world trade attitude, when considering special legislation for two industries . . . as important as they are to certain states . . . including my own state.

As you know ASA administers a sizable market development program in seven countries. Our studies indicate Italy deserves top priority as we expand our market development work. So while some view Italy as the No. 1 exporter of footwear to the U.S., we view Italy as the No. 1 potential to increase sales of soybeans and soybean meal.

As growers we want to be sure that just because our numbers are spread out over a wide area that Committee members and Congress remember there are five to six hundred thousand growers plus the many others I have mentioned depending on soybeans for all or part of their living.

Every survey shows a continued upward trend in worldwide demand for protein. (For example, F.A.O. predicts 25% increase by 1975.) Soybeans have been capturing an increasing share of that increase and it can continue to do so with good salesmanship and free entry into the major markets of the world. (USDA Feb. 1970, World Exports of Meal, average 12% increase per year 1960–69.)

We are here to ask you not to jeopardize the present favorable export position for soybeans. Soybeans and soybean meal are the major farm commodity in world trade and at the same time have fewer tariffs and non-tariff barriers than any other major commodity. Restrictive action by Congress could result in retaliation by the offended country against our major export to them.

In Spain, for example, there is a very strong demand for both soybean meal and soy oil. Purchases are limited by opposition from the Olive Oil Syndicate, which is to be expected, and a shortage of trade dollars. They must sell in order to buy.

In Taiwan hard currency is very short and while over 40% of all grain purchases are soybeans the potential increase in sales would be endangered because of a lack of trade dollars if Taiwan cannot sell her mushrooms, asparagus, textiles, canned vegetables and other commodities to the U.S. Taiwan would be especially hard hit by using 1967–68 figures as a base for setting textile product imports.

Japan's policy of diversification would be stepped up should the Congress take unwise steps toward import restrictions. The costly Longshoreman's strike of over a year ago prompted Japan to move rapidly in the direction of finding new sources of farm commodities where they could in turn sell their products. Japan is now backing work in Thailand to start a major soybean growing industry there. Japan is also studying the advisability of buying competitive oilseeds from other countries and developing a synthetic industry in Japan.

Other countries may be compelled to buy such exlusive items as computers, certain aircraft parts and other special items from the U.S. but any country can buy their protein and oil needs from any number of salesmen eager to sell competing products such as sunflower, peanuts, cottonseed, rapeseed and fishmeal. There is a high substitutability and availability of competing products . . . especially for soybean oil.

I would like to depart for a moment to speak on a different but related subject and that is the U.S. policy of maintaining an American Selling Price on certain select products. This is a provocative policy all out of proportion to its importance to the American economy. It is the thorn in the side whenever the U.S. is involved in trade negotiations. It is used as an argument for similar protective tariffs overseas by many countries as I learned when in Europe last fall. The EEC uses ASP as an excuse to impose the tax or compensatory levy against soybeans and soybean meal.

The American Selling Price not only jeopardizes continued free access of soybeans into its major markets around the world . . . but increases consumer costs in this country and farmers are major consumers.

I know that you men are fully aware of this interplay of conflicting interests in this complex arena of world trade. I appreciate the opportunity to appear before you so that our voice might be heard.

CLOSING SUMMARY

In summary, weigh the jobs and the income to farmers ($2,600,000,000) and many segments of our economy in many states of this multi-billion dollar industry. It is overseas sales that make the market at the local elevator and that was never more clear than this year. Not only does 40% of the crop go overseas but much of the increase in the years ahead will come from overseas demand *if*, soybeans and soybean products have access to the major markets as they do now. We cannot stand on one foot and call for reduced trade restrictions in other countries and then stand on the other foot and pass special legislation to protect certain industries in the U.S. The total agricultural complex, especially soybean farmers and those in town who depend on soybeans for their paycheck, will be the first to be hurt if there is retaliation, or, a lack of trade dollars with which to buy because of a general downward spiral caused by escalating protectionism. For that reason, we oppose legislation creating additional import restrictions that could result in retaliation by other countries and cause a reduction in exports of soybeans and soybean products.

U.S. SOYBEAN PRODUCTION (USDA, BLUE BOOK, PP. 58 AND 77)

	1950	1960	1965	1969
Bushels	299,249,000	555,085,000	845,608,000	1,116,876,000
Value	$737,760,000	$1,184,910,000	$2,151,305,000	$2,580,029,000

EXPORTS—MARKETING YEAR BEGINNING SEPT. 1 (USDA, BLUE BOOK, PP. 66, 67, 86)

	1960	1965	1968
Soybeans (bushels)	134,700,000	250,600,000	286,800,000
Soybean meal (short tons)	589,700	2,603,800	3,084,800
Soybean oil (pounds)	699,805,000	922,647,000	869,556,000
Total value of beans and products	$415,897,000	$915,042,000	$1,120,900,000

VALUE OF SOYBEANS BY STATES—FIGURED AT FARM LEVEL 1969 CROP (ESTIMATE) (USDA, BLUE BOOK, P. 77)

Illinois	$519,270,000
Iowa	392,263,000
Indiana	241,261,000
Arkansas	208,018,000
Missouri	188,370,000
Minnesota	171,018,000
Ohio	156,345,000
Mississippi	127,200,000

EXPORTS TO EUROPE, 1968–69 MARKETING YEAR (USDA, BLUE BOOK, PP. 82 AND 89)

	Soybeans (bushels)	Soybean meal (tons)
Exports to Europe	151,000,000	2,319,000
Total exports	286,800,000	3,085,000

EXPORTS TO DATE

	1968-69	1969-70
Soybean inspections, Sept. 1–May 8 (bushels)	227,563,000	309,968,000
Soybean meal exports, September–March (tons)	1,366,383	2,041,192

Source: American Soybean Association, Hudson, Iowa.

ELECTRONIC INDUSTRIES ASSOCIATION,
Washington, D.C., October 21, 1970.

Re Pending Amendments to Social Security Bill on Foreign Trade Policy.

Hon. RUSSELL B. LONG,
Chairman, Senate Committee on Finance,
Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: Pursuant to the decision of the Committee to receive for the record statements from interested parties on the pending foreign trade amendments, I am enclosing herewith a copy of a statement which I made on June 8, 1970 before the House Committee on Ways and Means on behalf of the Consumer Products Division (now the Consumer Electronics Group) of the Electronic Industries Association.

For clarification, it should be noted that there are various other divisions within the Electronic Industries Association. We are speaking only for the Consumer Electronics Group.

Our Group represents the overwhelming majority of the United States manufacturers of consumer electronic products, including color and black and white television receivers, radios, radio-phonographs, phonographs, and tape recorders and players. We represent virtually all of the United States manufacturers of television receivers.

Our position on proposals for import quotas for consumer electronic products as stated on Page 4 of my statement, is as follows:

> "In sum, our organization is opposed to the enactment at this time of any legislation which would impose quantitative limitations on imports of consumer electronic products. We view quota proposals as premature.
>
> "But, we wish it to be clearly understood that while we oppose legislative quotas at this time, we are neither complacent nor indecisive on the question of international competition. We think there are problems created by imports and we believe an earnest effort must be made by all concerned—industry and government alike—to seek solutions to these problems."

Respectfully submitted.

CHARLES N. HOFFMAN,
Vice President for Consumer Electronic Group,
Electronic Industries Association.

Enclosure.

STATEMENT OF CHARLES N. HOFFMAN IN BEHALF OF CONSUMER PRODUCTS DIVISION OF THE ELECTRONIC INDUSTRIES ASSOCIATION BEFORE THE COMMITTEE ON WAYS AND MEANS

Mr. Chairman, Members of the Committee, I am Charles N. Hoffman, Chairman of the Consumer Products Division of the Electronic Industries Association. With me are Jack Wayman, Staff Vice President of our Division and Alfred McCauley, Special Counsel to our Division.

The Consumer Products Division numbers among its member-companies a majority of the U.S. manufacturers of consumer electronic products—a class of articles which includes color and black-and-white television receivers, radios, radio-phonographs, phonographs, tape recorders and players, and other home entertainment articles. The bulk of the products made and sold by the companies in our Division and most of the components used in production are wholly of U.S. origin. However, some of the finished products we sell and some of the components we use in making products here in the United States are imported from abroad. Consumer electronic products and components are also imported by firms and individuals who are not U.S. manufacturers of these types of products.

As the Committee has already heard, the U.S. electronic industries as a whole sold some $25 billion in products last year, employed a record of over 1.1 million persons, and had a favorable balance of trade of almost $1 billion.

The consumer products segment of the electronic industry also had record sales in 1969. Employment was down some from prior years, due largely to the soft second-half of 1969 in our economy. Imports were up sharply—totaling almost $1 billion.

I would like to insert at this point in the record the following table which contains data on consumer electronic products sales, imports, and exports for the pas four years:

[Dollar amounts in thousands]

	1966	1967	1968	1969
Sales	$4,493,000	$4,324,000	$4,619,000	$4,624,000
Exports	46,256	46,609	85,000	106,621
Imports	385,004	449,927	710,871	994,509
Balance of trade	−338,748	−403,318	−625,871	−887,888
Exports as percent of sales	1.0	1.0	1.8	2.3
Imports as percent of sales	8.5	10.3	15.1	21.5

Source: Based upon data prepared by the Marketing Services Department of the Electronic Industries Association.

As these data show, imports of consumer electronic products are increasing at a rapid rate, accounting for over 21 percent of the U.S. market in 1969. This upward trend continues today and in the first quarter of this year imports represented 24 percent of U.S. sales of consumer electronic products.

These levels of imports are a matter of concern to most interested people, including a majority of the member-companies of our organization. A number of individuals and groups are urging the Congress to roll-back present consumer product import levels and to provide that in the future such imports continue to be controlled in relation to domestic consumption of these products at lower levels than prevail today.

This same course of action was urged in the course of the 1968 hearings on trade conducted by this Committee. At these hearings we appeared in opposition to quotas on consumer electronic products and maintained that imports of such products were not a threat to our industry.

Today there is concern among our member-companies about the rising level of imports of consumer electronic products. Some of our member-companies see such imports as a serious threat to their operations; others, while concerned about these imports, do not view them as presently posing such serious threat.

However, a large majority of the member-companies of our organization, regardless of their varied assessments of the present and potential impact of imports, is still opposed to the enactment of legislative quotas on consumer electronic products. We do not see how legislative quotas will alleviate our concern about these imports or solve the problems some of us and others see as caused by these imports. Indeed, a number of our member-companies are convinced that as of the present time legislative quotas would compound and complicate the existing situation.

In sum, our organization is opposed to the enactment at this time of any legislation which would impose quantitative limitations on imports of consumer electronic products. We view quota proposals as premature.

But, we wish it to be clearly understood that while we oppose legislative quotas at this time, we are neither complacent nor indicisive on the question of international competition. We think there are problems created by imports and we believe an earnest effort must be made by all concerned—industry and government alike—to seek solutions to these problems.

But before realistic, equitable solutions can be found a fundamental question must be answered: What is the nature of the foreign competition our industry faces? Is it fair competition or is it unfair competition? If it is fair competition, if foreign manufacturers are beating us on cost efficiencies, productivity and superior technology, then import relief approaches would have to be considered as one course of action.

If, however, the foreign competition we face is unfair competition, then different measures are appropriate. If foreign penetration of the U.S. market is achieved, in whole or in part, by export practices and/or home market non-tariff barriers that are contrary to U.S. ground rules of competition, then these practices and barriers must be moved against promptly and vigorously, by the industry itself and by the U.S. government. Only until any such unfair competition is effectively disciplined can we measure our true competitive strength with foreign manufacturers and let the even-handed dynamics of the market place determine the future.

Competition in the U.S. market in consumer electronic products is severe among U.S. companies and foreign brand merchandise. For example, it is estimated that some 50 brands of television receivers are available on the U.S. market, each competing for the consumer's favor. This fierce competition results in rock-bottom prices and slim profit returns. The price levels in the U.S. market for consumer products are, of course, beneficial to consumers, particularly in times such as the present when increasing emphasis of government is on giving the consumer some relief from ever-rising prices. Last year, the television set index averaged about 80 on the Consumer Price Index while radios approached 75. These price levels are to be compared with the average price index for all consumer goods of 127.7.

However, the very nature of this competitive situation creates an urgent need for extraordinary vigilance on the part of those whose task is to see that competition in the U.S. market place is fair. In a competitive market such as exists in consumer electronic products, even a modest price advantage can result in a shift in sales to the seller with such advantage. For this reason, it is crucial in this highly competitive market that every price advantage result from honest economies and not from contrived or otherwise distorted pricing policies.

We believe that there is unfair foreign competition in the U.S. consumer electronics market. But we do not know the extent of it or all its many faces. We believe that neither the Congress nor trade and tariff officials in the Departments and agencies know either.

We know or suspect certain facts of unfair international competition, and, we submit that existing U.S. law and administrative practice is sometimes ambiguous, and may even be inadequate to deal with this competition. But we must know more; the U.S. government must know more. Only then can realistic, effective trade legislation be written to establish competitive equality in world trade.

It is in this context of possible inadequacy of existing law, and deficiencies in administrative practices, and the need to know more about unfair foreign competition, that H.R. 14870, and related pending legislation, should be evaluated.

There are three categories of unfair or restrictive trade practices which are of concern to us:

1. Unfair commercial practices by foreign exporters, the most notable of which is selling in the U.S. at less than fair value.

2. Foreign government export aids and incentives, which include tolerance or encouragement of cartel activities, as well as tax, accounting, credit, and banking practices that give foreign manufacturers an export advantage.

3. Home country restrictions which (a) inhibit either imports of U.S. products or U.S. private foreign investment, or both, and (b) inhibit exports to non-U.S. markets.

H.R. 14870, and other bills now before this Committee, do not deal with category No. 1, unfair commercial practices. We would only note at this time, therefore, that we believe it is up to the industry, or individual industry members, to take primary responsibility for invoking the statutory remedies provided by the Antidumping Act of 1921. We believe, however, that it is the government's responsibility to ensure that these laws do in fact provide realistic, workable remedies.

H.R. 14870 does address itself to category #2, export aids and incentives, by amending Section 252(b) of the Trade Expansion Act of 1962 to discipline a foreign country's "subsidies or other such incentives on its exports . . . to other foreign markets."

We endorse such amendment but are constrained to note that it probably constitutes more a general statement of U.S. trade policy than a specific trade weapon which would be regularly invoked.

Presumably the proposed amendment to Section 252(b) is intended to extend the countervailing duty proscription of Section 303 of the Tariff Act of 1930 to subsidized exports to third-country markets. If so, we suggest that the real need here is for review of the administration of Section 303 itself.

Section 303 proscribes export grants or bounties of any kind and however camouflaged or obscured. We believe, however, that there is today a whole array of subtle foreign devices for subsidizing exports that Section 303 is not reaching, but which it is intended to reach. These devices are rooted in the tax, banking, credit, insurance, and research and development relationships between foreign governments and their industries. We think that to the extent these relationships violate U.S. groundrules of fair and open competition they are actionable under Section 303 and steps should be taken to see that Section 303 meets these unfair acts.

It is our further recommendation, in connection with advantageous relationships between foreign governments and their exporting industries, that this Committee take a new look at Section 252(b)(2) of the Trade Expansion Act. The legislative history of the 1962 Act does not indicate what the 87th Congress meant by the Section 252(b)(2) phrase: "engages in discriminatory or other acts (*including tolerance of international cartels*) . . ." (Emphasis supplied)

We believe that there probably are international cartels operating against the interests of the U.S. consumer electronics industry, whether intra-country cartels or multi-country cartels. This area, like export subsidies, is one which needs more analysis and fact-finding. What is meant by "tolerance" of cartels? What is an international cartel? How do U.S. trade officials determine that an actionable cartel exists? On whom is the burden of proof?

As to category #3, there is no reason as we enter the 1970s for many foreign countries to maintain restrictions on the free flow of goods into their markets from the U.S. and other sources. Many of these restrictions were established years ago to permit war-torn economies to be re-established. In most cases the reasons for these artificial restrictions on trade, foreign exchange, and investment have long since disappeared. The continuation of these restrictions is unjustified and we should strenuously seek their removal. If these foreign markets are opened to U.S. products and to the products of other nations, as well, we should benefit from an increase in our exports and a relieving of some of the import pressure we now see in our U.S. markets.

As my foregoing remarks indicate, there are a multitude of questions which must be answered concerning trade in consumer electronic products before constructive action can be taken in the field of legislation. We firmly believe that there is a need for an in-depth study of this matter in order to develop the facts needed for informed judgments. Accordingly, the Consumer Products Division of EIA respectfully urges this Committee to direct the Tariff Commission to make a study of U.S. trade in consumer electronic products and to analyze the forces which are influencing such trade. We will not attempt now to delineate the specifics which we believe the Commission should look to in such study. However, we are ready to cooperate with the Committee's staff in the preparation of a directive to the Commission for the Committee's consideration. We feel such a study, if properly directed, can go a long way towards resolving some of the major problems facing this Committee and others such as our organization.

Thank you, Mr. Chairman, for this opportunity to appear here today.

(The following telegram was forwarded to the Committee by Hon. Hugh Scott, a U.S. Senator from the State of Pennsylvania:)

[Telegram]

PITTSBURG, PA., *Oct. 15, 1970.*

KENNETH E. DAVIS,
Legislative Assistant to U.S. Senator Hugh Scott,
Old Senate Office Building,
Washington, D.C.

Statement Re Trade Act of 1970 from the broadest vantage point of the best interests of the Nation it does not seem that the imposition of quotas or tariff increases should be applied as covered in H.R. 18970.

There is substantial reason to believe that International Trade competition resulting therefrom could have serious long term implications. Specifically, it is desirable that responsible retailers be permitted an opportunity to present their considered judgements at hearings prior to final Senate action on this bill. It is conceivable that amendments to it may improve its effectiveness with respect to the following vital issues:

(1) Determination of more reasonable base for the quota roll-backs.

(2) Clarification of the responsibility for administering the quota reductions in a workable and meaningful manner.

(3) Protection for the consumer if not causing unavailability of desirably priced imports.

(4) Review of the termination date, limiting this to three years rather than six years.

(5) Provision for hearings before the Tariff Commission before determination of "Market Distruption" is made concerning application of quotas.

(6) Deletion of the "Escape Clause" provisions which are unnecessarily binding on the President. Hearings or investigations by the Tariff Commission can provide Congress with recommendations towards the necessity for legislation.

It is respectfully requested that these preliminary proposals be reviewed by the Senate committee members with particular consideration of the primary need for hearings at which supporting documentation can be presented.

HERBERT A. LEEDS,
President, Gilmbels, Pittsburgh.

STATEMENT OF DR. ELLIOTT R. MORSS, ECONOMIC CONSULTANT, WASHINGTON, D.C.

Mr. Chairman and Members of the Committee, I wish to thank the Committee for this opportunity to present my views on the pending Trade Bill.

Let me start by noting that Congressional action to date has lead to some useful developments in our trade negotiations. The discussion of import quotas has thrown sufficient fear into the hearts of the Japanese and other industrial countries to lead them into new discussions of important trade concessions with the U.S. government. However, it is now time to think of the U.S. consumer. It is time for Congress to vote down the pending legislation providing quotas for shoes and textiles and to repeal existing legislation providing oil import quotas.

Quotas are not in the best interest of this country. That this view is widespread is evidenced by the recent statement signed by more than a thousand economists expressing opposition to the Trade Bill. Indeed, it would be exceedingly difficult to find a single professional economist in favor of quotas other than those representing special interest groups. Quotas are the cruelest tax of all. Not only do they lead to higher prices, but after a certain point, quotas mean the American consumer cannot purchase a good at any price. In addition, they shut off competition from abroad—and I hate to speculate on how long our cars would be today if our auto companies had not been reminded by the success of the "bug" from Germany that there is a substantial U.S. demand for a small car. Of course I am concerned about the declining profits and rising unemployment resulting from foreign competition in certain industries in this country. But the answer here is not to restrict the imports of cheaper and better foreign products; instead it is to help the unemployed learn new trades and find new jobs in industries in which the United States has a competitive advantage.[1]

Let me turn now to the Administration's DISC proposal. I presented detailed testimony on this subject before the House Ways and Means Committee and consequently will be brief. First, let me urge you to give careful consideration to the report of your own committee, the Joint Committee on Internal Revenue Taxation, concerning DISC. Although I have not had access to the report beyond what has appeared in the newspapers, I feel it presents a well-balanced view of the pros and cons of the DISC proposal. I would also refer you to the statement submitted by Thomas F. Field of Taxation with Representation. Summarizing my own views briefly, the Treasury aruges that the DISC proposal will eliminate the inequity in tax treatment between foreign subsidiaries of U.S. corporations and U.S. exporters. Assuming that such an inequity does exist, the appropriate way to eliminate it is to take away the tax deferral privileges of our foreign subsidiaries. The arguments that this would adversely affect our balance of payments have little merit. It has been well documented in a nearly-completed study to the effects of a reduction in tax inducements for U.S. business to invest abroad are a capital flow to the United States. This is just what would happen if the tax deferral privileges of U.S. foreign subsidiaries was removed. Treasury also argues offering the oil industry something, perhaps a billion dollars a year for the next five years as compensation for eliminating all import quotas. After paying this compensation, the American consumer would still be better off since the President's Commission has estimated that the higher costs of fuel resulting

[1] For a true insight into the absurdity of quotas, see the Appendix.

from the oil import quotas is costing the American consumer more than five billion dollars a year. I should hasten to add that the billion dollar figure is pulled out of the air, and that a study of an appropriate compensation amount should be made.

I urge you to repeal the oil import quota legislation. Consider the facts. The nation is facing a serious fuel shortage in both the short and long run. Is it not eminently reasonable, indeed, is not the logic compelling, for us to import all the fuels we can rather than further draining our own limited supplies, particularly when the foreign source fuel is cheaper? If we are really concerned from a national security standpoint about the cutoff in the cheap foreign supply, we should import as much as we can now and store it. The Presidential Commission Report on Oil Import Quotas suggests that even after allowing for storage costs we will still be better off by importing and storing than pumping our own expensive oil. If we are afraid that such a policy will lead to serious curtailment in domestic exploration, Congress should provide direct subsidies for exploration, with appropriation levels determined by Congress on a year-to-year basis.

The above points are self-evident and have been so for a number of years. Consequently, we must look further than reason and logic for an understanding of why the oil import quota program continues. One need not look far. It is clear that this program has been continued because of the vigorous lobbying activities of the oil industry. Let me immediately say that I have considerable sympathy for the plight of the domestic producers. After all, they made major investment in oil development and exploration under the assumption that the oil import quota program would be continued. If we eliminate the oil import quota program, the domestic producers deserve compensation for such an abrupt change in the rules. Indeed, I would suggest that adoption of DISC would reduce the unfair advantage foreign companies have over U.S. firms because of more favorable tax treatment. As was indicated in my testimony before the House, it is not at all clear that foreign companies do receive such favorable treatment. But if they do, it would be better to compensate for it through direct subsidies or ultimately, a floating exchange rate. Treasury also argues that adoption of the DISC proposal will increase our exports. This is obviously a desirable objective but should be seen in terms of its costs. The Treasury argues that at a cost of $600 million in the first full year of operation, adoption of the DISC proposal would increase our exports by 1.5 billion dollars. These estimates are questionable. The Joint Committee on Internal Revenue Taxation estimated that the DISC proposal would cost up to $955 million in the first full year and might only increase exports by $315 million. But even if the Treasury's figures were accurate—even if we could get a billion dollars in increased exports for a $600 million tax loss, I would seriously question whether it was worth it. The Administration recently vetoed the Office of Education's 1971 appropriation because it exceeded by about $400 million what the Administration wanted. I submit that if the fiscal situation is as tight as this, it is hardly the time to introduce a $600 million experiment such as DISC.

But even if the fiscal situation was not as tight as it is, DISC should not be introduced until more research is done on the subject. That more research is needed is evidenced by the wide range of estimates on the costs and benefits of DISC. If nothing else, Congress should hold public hearings to discuss the alternative estimation methods used. It would be regrettably ironical if this Committee approved DISC a few days after requiring more research on the President's Family Assistance Plan, a plan on which more than $10 million in research has already been done.

Petition of the Candlemakers—1845

(By Frederic Bastiat [1])

To the Honorable Members of the Chamber of Deputies:

Gentlemen:—You are in the right way: you reject abstract theories; abundance, cheapness, concerns you little. You are entirely occupied with the interest of the producer, whom you are anxious to free from foreign competition. In a word, you wish to secure the *national market* to *national labor*.

We come now to offer you an admirable opportunity for the application of your—what shall we say—your theory? No, nothing is more deceiving than theory;—your doctrine? your system? your principle? But you do not like doctrines; you hold systems in horror; and, as for principles, you declare that there

[1] From Frederic Bastiat, *Economic Sophisms* (G. P. Putnam's Sons, New York, 1922), pp. 60–65.

are no such things in political economy. We will say, then, your practice; your practice without theory, and without principle.

We are subjected to the intolerable competition of a foreign rival, who enjoys, it would seem, such superior facilities for the production of light, that he is enabled to *inundate* our *national market* at so exceedingly reduced a price, that, the moment he makes his appearance, he draws off all custom for us; and thus an important branch of French industry, with all its innumerable ramifications, is suddenly reduced to a state of complete stagnation. This rival is no other than the sun.

Our petition is, that it would please your honorable body to pass a law whereby shall be directed the shutting up of all windows, dormers, skylights, shutters, curtains, in a word, all openings, holes, chinks, and fissures through which the light of the sun is used to penetrate into our dwellings, to the prejudice of the profitable manufactures which we flatter ourselves we have been enabled to bestow upon the country; which country cannot, therefore, without ingratitude, leave us now to struggle unprotected through so unequal a contest.

We foresee your objections, gentlemen; but there is not one that you can oppose to us which you will not be obliged to gather from the works of the partisans of free trade. We dare challenge you to pronounce one word against our petition, which is not equally opposed to your own practice and the principle which guides your policy.

Do you tell us, that if we gain by this protection, France will not gain because the consumer must pay the price of it?

We answer you: You have no longer any right to cite the interest of the consumer. For whenever this has been found to compete with that of the producer, you have invariably sacrificed the first. You have done this to *encourage labor*, to *increase the demand for labor*. The same reason should now induce you to act in the same manner.

You have yourselves already answered the objection. When you were told, "The consumer is interested in the free introduction of iron, coal, corn, wheat, cloths, etc.," your answer was, "Yes, but the producer is interested in their exclusion." Thus, also, if the consumer is interested in the admission of light, we, the producers, pray for its interdiction.

You have also said, "The producer and the consumer are one. If the manufacturer gains by protection, he will cause the agriculturist to gain also; if agriculture prospers, it opens a market for manufactured goods." Thus we, if you confer upon us the monopoly of furnishing light during the day, will as a first consequence buy large quantities of tallow, coals, oil, resin, wax, alcohol, silver, iron, bronze, crystal, for the supply of our business; and then we and our numerous contractors having become rich our consumption will be great, and will become a means of contributing to the comfort and competency of the workers in every branch of national labor.

Will you say that the light of the sun is a gratuitous gift, and that to repulse gifts is to repulse riches under pretense of encouraging the means of obtaining them?

Take care,—you carry the death blow to your own policy. Remember that hitherto you have always repulsed foreign produce *because* it was an approach to a gratuitious gift, and *the more in proportion* as this approach was more close. You have, in obeying the wishes of other monopolists, acted only from a *half-motive;* to grant our petition there is a much *fuller inducement.*

Labor and nature concur in different proportions, according to country and climate, in every article of production. The portion of nature is always gratuitous. If a Lisbon orange can be sold at half the price of a Parisian one, it is because a natural and gratuitous heat does for the one what the other only obtains from an artificial and consequently expensive one. When, therefore, we purchase a Portuguese orange, we may say that we obtain it half gratuitously and half by the right of labor; in other workds, at *half price* compared with those of Paris.

Now it is precisely on account of this *demigratuity* (excuse the word) that you argue in favor of exclusion. Now, you say, could national labor sustain the competition of foreign labor, when the first has everything to do, and the last is rid of half the trouble, the sun taking the rest of the business upon himself? If then the *demi-gratuity* can determine you to check competition, on what principle can the *entire gratuity* be alleged as a reason for admitting it? Choose, but be consistent. And does it not argue the greatest inconsistency to check as you do the importation of coal, iron, cheese, and goods of foreign manufacture, merely because and even in proportion as their price approaches *zero*, while at the same time you freely admit, and without limitation, the light of the sun, whose price is during the whole day at *zero?*

VIEWS OF THE PUERTO RICO ECONOMIC DEVELOPMENT ADMINISTRATION, SUBMITTED BY JUAN RODRIGUEZ DE JESUS, ADMINISTRATOR

This statement is submitted on behalf of the Economic Development Administration ("EDA") of the Commonwealth of Puerto Rico, the instrumentality of the Puerto Rican Government charged with the responsibility of planning and guiding the economic growth of the Commonwealth. EDA was established more than twenty years ago to promote a program of industrial and tourism development in order to solve the chronic unemployment which plagued this Island. EDA's primary function throughout its entire history has been to help generate job opportunities with a view toward raising the standard of living of the citizens of Puerto Rico. EDA's program for industrial development is the keystone to Puerto Rico's economic growth.

Because of the lack of natural resources on the Island and Puerto Rico's chronic unemployment, EDA's original efforts were directed toward attracting "labor intensive" industries which utilized easily imported raw materials. The EDA-promoted factories now account for over 70% of the total in manufacturing on the Island. Key among the EDA plants are those which fall into the industrial categories of the apparel, textile and footwear industries; these industries account for nearly half of the EDA plant net income contribution. Of the more than 100,000 persons employed in the EDA promoted factories (which represent three-fourths of all manufacturing employment in Puerto Rico), over 50% are employed in the apparel (37,000), footwear (9,000) and textile (8,000) industries. From studies conducted by EDA, it was learned that in Puerto Rico, the creation of every direct job has the effect of creating 1.85 jobs throughout the Island's economy. The same process, of course, works in reverse so that the loss of every direct job has a negative multiplier impact on the entire economy.

Though EDA has been, to a significant degree, successful in transforming Puerto Rico's agriculture-dominated economy of the 40's to a dynamic industrlal economy in the 60's, the percentage of Puerto Rico's unemployed labor force has most unfortunately persisted above the 11% level—more than double that experienced in the rest of the United States, even during this period of mild recession. Further, as noted above, Puerto Rico's economic growth has been heavily dependent on the textile and related industries. However, to maintain this growth, it is necessary not only to attract new industry to the Commonwealth, but also to retain that industry which is presently operating on the Island.

In the past two years, however, it has become increasingly evident to EDA that the footwear, apparel and textile industries in Puerto Rico (as well as throughout the rest of the United States) are suffering a major set-back. Thus, in 1968, employment in these industries in Puerto Rico reached a peak and then began a rapid decline. For example, employment in the apparel industry dropped from 37,600 to 33,600 between 1969 and the first half of 1970. This was caused by the closing of 35 plants during that period. Similarly, in the leather and footwear industries, employment dropped from 18,200 in early 1968 to 12,800 in mid-1970 during which period 13 plants closed. (See Exhibits A and B.)

Based upon its investigation into this situation, EDA is convinced that the increase in unemployment and plant closings in these industries over the past two years is tied directly to the tariff reductions which resulted from the Kennedy round of trade negotiations. These reductions went into effect in 1968. The House Committee on Ways and Means, in its Report on the Trade Act of 1970, detailed the serious adverse effects these tariff reductions have had on the textile, apparel and footwear industries throughout the United States (H. Rep. No. 91-1435, Report of the Committee on Ways and Means on H.R. 18970, The Trade Act of 1970, pp. 10–11 (hereafter H. Rept. No. 91–1435)). The economic impact on Puerto Rico, of course, will be even more severe, for as noted, these industries account for over 50% of the EDA-created employment. Thus, the increased foreign competition in these industries encouraged by the lower United States tariffs, had had, and will continue to have, severe, almost disasterous effects on Puerto Rico's economy. Given the already high level of unemployment, the lack of sufficient other industry to absorb the already unemployed, to say nothing of those currently losing jobs in the textile, apparel and footwear industries, it is clear to us that the Island's economy will cease to grow and may even decline.

Thus, even though our per capita income is lower than that of the rest of the United States, our industry is equally unable to compete, given the existing tariff levels, with such apparel and footwear exporting countries as Japan and Spain where per unit labor costs are substantially below those of Puerto Rico. The

House Ways and Means Committee has already found that the continued existence of a strong footwear and textile industry is vital to the United States' interests (H. Rept. No. 91-1435, pp. 10-11). It is even more critical to Puerto Rico's continued development. Without such legislation, years of economic development would be wiped out. Hundreds of persons would be left without work. In view of the Island's limited industry, it would be extremely difficult for these displaced employees to be reabsorbed into the economy.

We believe that Title II of H.R. 18970, which would temporarily limit imports of certain textile and footwear commodities, will at least provide a stopgap solution to this serious problem. Therefore, the Economic Development Administration of the Commonwealth of Puerto Rico fully supports the provisions of Title II of the Trade Act of 1970.

EXHIBIT A

FACTS ON THE APPAREL INDUSTRY—PER YEAR, PER SEMESTER

	1966		1967		1968		1969		1970	
	1st	2d	1st	2d	1st	2d	1st	2d	1st	2d
Total employment in Puerto Rico (thousands)	29.3	30.7	31.1	32.9	34.1	36.6	37.3	37.2	33.6	NA
Change from preceding semester:										
Number (+) (−) (thousands)		+1.5	+.36	+1.8	+1.2	+2.5	+.7	−.17	3.6	NA
Percent change		+5	+1	+6	+4	+7	+2	−.5	−10	
U.S. ratio between imports and consumption:										
Cotton (percent)		6.2		NA		7.3		NA		
Change from preceding year (percent)						[1] +18				
Wool (percent)		8.5		8.5		10.7		NA		
Change from preceding year (percent)						+25				
Man made (percent)		2.7		3.9		4.7		NA		
Change from preceding year (percent)				+44		+21				

[1] Covers 2 years.

Note.—Numbers do not add due to rounding.

Source: Office of Economic Research, Commonwealth of Puerto Rico, Economic Development Administration.

EXHIBIT B

FACTS ON THE SHOE INDUSTRY—PER YEAR, PER SEMESTER

	1966		1967		1968		1969		1970	
	1st	2d	1st	2d	1st	2d	1st	2d	1st	2d
Total employment in Puerto Rico:										
Leather and analogous products (thousands)	4.6	4.2	5.2	5.6	6.5	6.3	6.0	4.6	4.4	
Shoes (nonrubber) (thousands)	8.7	9.5	9.2	10.6	11.7	11.0	11.1	8.9	8.4	
Change from preceding semester		−.41	+1.0	+.37	+.91	.22	−.27	−1.4	−.16	
Number (+) (−)										
Percent change		−10	+25	+7	+17	−3	−3	−25	−4	
U.S. ratio between imports and consumption:										
Percent per year		14		18		22	26			[1] 33
Percent change from preceding year				+29		+22	+16			[1] +27

[1] Covers January through April 1970.

Note.—Numbers do not add due to rounding.

Source: Office of Economic Research, Commonwealth of Puerto Rico, Economic Development Administration.

ORGANISME DE LIAISON DES INDUSTRIES
METALLIQUES EUROPEENNES,
Brussels, October 20, 1970.

Trade Bill 1970.

Senator RUSSELL B. LONG,
Chairman of Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR: Enclosed I have pleasure in sending you the text of a statement by the Presidents of ORGALIME on behalf of the European engineering industries on the Trade Bill 1970 now before the U.S. Senate. This statement was sent to you on Thursday 15th October both by telegram and by telex in order to meet the deadline for written submissions concerning the Bill, which I understand was Friday 16th October.

I also enclose a list of member associations of ORGALIME in thirteen European countries. These associations represent mechanical and electrical engineering and metal-working industries employing approximately 10 million workers. The exports of goods produced by these industries to the United States, and imports of similar goods from the United States into Europe, exceed 3 billion U.S. dollars annually in each direction.

Given this important volume of trade in engineering and metal-working products between our two continents I am sure that you will understand the concern of our industries to maintain the liberal climate which allowed for this growth in the past and which is an essential condition for its future development.

Yours faithfully,

N. GROENHART.

COPY

BRUSSELS, *15 October 1970.*

To: Senator Russell B. Long, Chairman, Senate Finance Committee, U.S. Senate Washington, D.C.

From: Organisme de Liaison des Industries Métalliques Européennes. Rue des Drapiers, 13. B–1050 Bruxelles (Belgium).

SIR: The Organisme de Liaison des Industries Métalliques Européennes (ORGALIME), on behalf of its members, the mechanical, electrical and metal-working industries of 13 European countries in EEC and EFTA, submits the following statement concerning the proposed Trade Act 1970, now before Congress.

Several sections of the Trade Act of 1970, if enacted in the version adopted by the House Committee on Ways and Means, represent a grave danger for the future development of international trade. The escape clause provisions, if applied in violation of obligations entered into under GATT, are likely to provoke counter measures by the trading partners of the U.S.

The European mechanical, electrical and metal-working industries are greatly concerned that the passing of this legislation would result in a trade conflict that is liable to endanger the progress made in the liberalization of international trade.

This would inevitably jeopardize the achievements in international cooperation which are essential to the further improvement of the well-being of both industry and labour in all countries.

The European engineering industries therefore urge that legislation which would introduce new barriers to the free exchange of goods should not be passed.

R. AUDOUARD,
Chairman, Orgalime Executive Committee.
N. GROENHART,
Secretary General, ORGALIME.

Confirmatory letter follows by post.

LIST OF ORGALIME MEMBER-ASSOCIATIONS AS AT 1ST AUGUST 1970

Verband der Deutschen Feinmechanischen und Optischen Industrie e.V., 5 Köln—Pipinstrasse 16.

Verein Deutscher Maschinenbau-Anstalten e.V., 6 Frankfurt/M.-Niederrad 1—Postfach 109—Lyoner Strasse.

Wirtschaftsverband Eisen, Blech und Metall Verarbeitende Industrie, 4 Düsseldorf 10—Postfach 10207—Kaiserwertherstrasse 135.

Wirtschaftsverband Stahl-und Eisenbau, 5 Köln 2—Ebertplatz 1.

Wirtschaftsverband Stahlverformung, 58 Hagen/EMST—Postfach 4009—Goldene Pforte 1.
Zentralverband der Elektrotechnischen Industrie, 6 Frankfurt (Main) 70—Postfach 70.09.69—Stresemannallee 19.
Gesamtverband der Metallindustriellen Arbeitgeberverbände, 5 Köln 1—Postfach 250125—Volksgartenstrasse 54a.
Fachverband der Eisen-und Metallwarenindustrie Österreichs, 1011 Wein—Postfach 44—Bauernmarkt 13.
Fachverband der Elektroindustrie, 1011 Wein—Rathausplatz 8.
Fachverband der Maschinen-und Stahl-und Eisenbauindustrie Csterreichs, 1011 Wein—Bauernmarkt 13.
Fabrimetal, 1050 Bruxelles—Rue des Drapiers 21.
Sammenslutningen AF Arbejdsgivere Indenfor Jern-Og Metalindustrien I Danmark, Copenhagen K—Nørrevoldgade 34.
Association of Finnish Metal and Engineering Industries, Helsinki—Eteläranta 10.
Federation des Industries Mecaniques et Transformatrices des Metaux, Paris 8e—Avenue Hoche 11.
Syndicat General de la Construction Electrique, Paris 16e—Rue Hamelin 11.
Union Syndicale du Trefilage, Etirage et Laminage A Froid de L'Acier, Paris 8e—Avenue Montaigne 31.
Union des Industries Metallurgiques et Minieres de la Construction Mecanique, Electrique et Metallique et des Industries Qui S'y Rattachent "U.I.M.M." Paris 17e—Avenue de Wagram 56.
The British Electrical and Allied Manufacturers' Association, London W.C.2—Leicester Street 8.
British Mechanical Engineering Conferderation, London W.C.2—Leicester Street 8.
Associazione Industriali Metallurgici Meccanici Affini, 10128 Torino—Via Vincenzo Vela 17.
Associazione Nazionale Industrie Elettrotecniche ed Elettroniche, 20122 Milano—Via Donizetti 30.
Comitato Intermeccanico Italiano, Roma—Piazza Venezia 11.
Groupement des Constructeurs et Fondeurs du Grand-Duche de Luxembourg, Luxembourg—Place Winston Chruchill 3.
Mekaniske Verksteders Landsforening, Oslo—Postboks 7072-H—Oscars gate 20.
Federatie Metaal—Eu Electrotechnische Industrie, Den Haag—Nassaulaan 25.
Sveriges Mekanförbund, 11485 Stockholm—Box 5506—Storgatan 19.
Verein Schweizerischer Maschinen—Industrieller, 8032 Zurich—Postfach—Kirchenweg 4.

STATEMENT OF R. JAMES NUTTING, PRESIDENT, OAKLAND WORLD TRADE CLUB

Mr. Chairman and members of the Committee on Finance: The Oakland World Trade Club representing 264 individual members in the San Francisco/Oakland Bay Area reaffirms its opposition to the trade bill currently under consideration by your Committee.

The concept of free trade is strongly supported by us and its importance to the economy of the United States is such that we also oppose the procedure whereby complete and careful deliberation by your Committee has not been undertaken prior to the attachment of this important measure to the Social Security Bill.

We recognize that trade restrictive devices result in higher consumer prices, aggravated relations between trading nations, inflation, preservation of inefficient United States industries and an uneconomical allocation of our resources. Important consideration must also be given to the impact on employment in our area. A recent study coordinated by the Port of Oakland for the American Association of Port Authorities, pointed out that there were 60,928 jobs in the Oakland-San Francisco-Sacramento-Stockton area directly attributed to international trade and waterborne transportation.

These jobs included not only those directly involved in port activity, but also to the related service industry such as steamship companies and their agents, ship construction and repair, marine insurance and similar companies.

The Oakland World Trade Club urges you to consider the United States' traditional policy of international trade and to recognize that retaliation could be expected by most of Western Europe and the Far East which would seriously affect the economy of the United States.

STATEMENT OF CLAUDE E. HOBBS, ON BEHALF OF NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION

Mr. Chairman and members of the committee, my name is Claude E. Hobbs. I am Director, Government Relations, Westinghouse Electric Corporation. I am presenting this statement on behalf of the National Electrical Manufacturers Association, whose 485 members are the principal United States manufacturers of electrical and related products used in the generation, transmission, distribution, and utilization of electrical energy.

H.R. 18970 contains certain provisions which we believe may be helpful to foreign trade problems being experienced by our industry, and although they offer only partial assistance, we urge the enactment of Sections 103, 111, 112, 114, 301, 302, 311, 345, and 346.

We support the international trade policies of the United States as stated in Section 102 of the Trade Expansion Act of 1962, the trade message of President Johnson in 1968, and the trade message of President Nixon in 1969.

But, we do not see those policies being applied to certain essential sectors of the U.S. electrical manufacturing industry.

Section 102 of the Trade Expansion Act states:

> "The purposes of this Act, are, through trade agreements affording mutual trade benefits—(1) to stimulate the economic growth of the United States and maintain and enlarge foreign markets for the products of United States agriculture, industry, mining, and commerce; and (2) to strengthen economic relations with foreign countries *through the development of open and non-discriminatory trade in the free world. . . .*" (Emphasis supplied.)

President Johnson, in his trade message to the Congress on May 28, 1968, said: "Trade is a two-way street. A successful trade policy must be built on reciprocity. . . ." President Nixon, in his November 18, 1969 trade policy message to the Congress, said: "We must insist on fair competition among all countries. . . ."

We reiterate what we stated to the House Ways and Means Committee two years ago, and to the Trade Information Committee in 1964 and 1968, that there is not "open and non-discriminatory international trade"; there is not "a two-way street"; and there is not "fair competition among all countries" in the international trade of heavy electrical equipment: those NEMA products used primarily by electric utilities—large steam turbine generators, large power transformers, and large power circuit breakers.

While the emphasis of our testimony is on heavy electrical equipment, NEMA is also concerned with the increasing foreign trade problems facing all segments of the electrical manufacturing industry—particularly non-tariff barriers to our exports, and also practices that provide foreign competitors with special advantages such as tax rebates in connection with their sales of electrical goods into the United States.

Foreign manufacturers of large electrical equipment can and do sell in the open United States market. At the same time, the domestic markets of these same foreign competitors for similar equipment are effectively walled off from United States manufacturers. Foreign manufacturers sell from protected home markets where the prices received by them are sufficient to cover all or most of the overhead cost of their manufacturing plants. They can then fill their unused plant capacity by exporting equipment at reduced prices. Much of the time they sell this machinery to American purchasers at prices significantly below the prices they receive for it in their home countries, often supported by various forms of government export subsidies and incentives. Thus, American manufacturers who are not permitted to sell into the closed home markets of foreign suppliers are being subjected more and more to unfair foreign competition which we, as manufacturers, are powerless to resist.

On the other hand, the United States market is wide open. When a U.S. Government power agency buys turbine generators, power transformers, or power circuit breakers, the purchases made and the prices paid are public information. Investor-owned utilities are pressured by their stockholders and state regulatory agencies to buy at equally low prices, regardless of whether imported equipment prices are subsidized by foreign governments or by foreign users of electricity. Price levels of American-made electrical equipment are thus under constant pressure from unfair foreign competition.

It should be clearly understood that the increase in imports of these products is not primarily the result of better technology or lower cost of foreign manufacturing. American-made large electrical equipment, in most cases, is superior in efficiency and reliability to similar foreign-made equipment. Careful studies indicate that the significantly lower employment costs of foreign manufacturers are substantially offset by better productive facilities and methods in the United States.

Imports of large utility-type equipment into the United States occur mainly because of foreign government subsidies and protected home market high prices which support low export pricing.

This is one-way trade in the products of a large industry where the United States has always been a recognized leader in advanced technical competence as well as in productive capability. It is unfair trade.

In preparation for the Kennedy Round of Tariff Negotiations in 1964, our industry requested that U.S. tariffs on large electrical equipment not be reduced unless the tariff and non-tariff barriers of other countries were also reduced. We asked for access to foreign markets for such American-made products, equal to the access of similar foreign equipment to markets in the United States. Nevertheless, in the 1967 Kennedy Round, responsible officials of the Administration saw fit to reduce U.S. duties on nearly all of these products the full 50 percent, with virtually no effective foreign country concessions to open their protected home markets to U.S. bidders. While Britain, a number of European counties, and Japan, reduced their tariffs on large electrical equipment, this action was almost meaningless because the government-owned or government-controlled electric utilities in those countries, with some exceptions in Japan, will not buy from American manufacturers. They observe policies which their national governments clearly sanction and sometimes mandate, whereby they buy almost entirely from their own domestic suppliers.

United States Government policies of long standing have encouraged imports of foreign-made electrical equipment despite recommendations for reciprocity in government purchasing [1] and regardless of unfair, artificially low foreign export prices.

For the past 10 or 15 years, the principal U.S. purchasers of large electrical equipment from foreign suppliers, at prices substantially below those charged by these same suppliers at home, have been agencies of the United States Government—mainly, the Tennessee Valley Authority, Bonneville Power Administration, and the Bureau of Reclamation.

The adverse consequences of these long-standing U.S. Government procurement policies are becoming increasingly more eivident to U.S. manufacturers of large electrical equipment. The purchasing procedures of Government electric power agencies, which have been considered a yardstick for measuring practices of investor-owned utilities, have led many investor-owned utilities to curtail their long-standing preference for U.S.-made equipment.

While United States Government procurement policy is not the responsibility of this Committee, trade policy was the significant factor in reducing our Buy American differential from 25 per cent to 6 per cent in 1954, and therefore it is appropriate for your Committee to review the operation of the Buy American Act. U.S. Government procurement from abroad has a significant impact on our balance of foreign trade and our balance of payments, and it would be fitting for this Committee to recommend desirable changes in Buy American regulations appropriate to the competitive realities of 1970.

The apprehension we expressed two years ago to the House Ways and Means Committee and to the Trade Information Committee is not based merely on an impending *threat* of larger, dual-priced imports of heavy electrical equipment:

In 1970 through May 31st, of the orders for large steam turbine generators placed by electric utilities in the United States, 43 percent, measured in kilowatts of generating capacity, have gone to foreign suppliers.

In the past two years, over 95 percent of the large power transformers purchased by agencies of the U.S. Government have been from foreign manufacturers.

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[1] In 1954, the Report of the Randall Commission on Foreign Economic Policy stated as follows: (P. 45):

"The Buy American Act and legislative provisions of other acts containing the Buy American principle should be amended to give authority to the President to exempt from the provisions of such legislation the bidders from other nations that treat our bidders on an equal basis with their own nationals.

"Pending such amendment, the President by Executive Order should direct procurement agencies in the public interest to consider foreign bids which satisfy all other considerations on substantially the same price basis as domestic bids."

That same year, part, but not all, of this recommenation was ordered into effect. Executive Order No. 10582 provided that American bids to U.S. Government agencies which exceeded foreign bids by more than six percent were to be deemed unreasonable, and that foreign bids should be accepted in such cases.

The Executive Order, however, did not honor the other part of the recommendation by requiring that this policy relate only to bidders from nations that treat American bidders on an equal basis with their own nationals.

Of total United States orders of large power transformers by all customers—government and investor-owned utilities—in the past two years 15 per cent were placed with foreign manufacturers.

Federal power agency procurement of extra-high voltage power circuit breakers has been approximately 80 percent foreign products since 1963. In the highest and most technologically advanced rating—765,000 Volts—all but two power circuit breakers have been purchased from overseas manufacturers.

Nearly half of the free world market for large electrical equipment is in the United States. As the needs of the United States have increased, American manufacturers have expanded their manufacturing capacity to supply U.S. requirements. In recent years, hundreds of million of dollars have been invested in new and expanded facilities in the United States for the production of large electrical equipment. Such substantial investment by American producers in their own country will be vitiated if unfair foreign competition continues to prevail in the open U.S. market.

At the same time, foreign government exclusionary practices shut us out of potentially profitable foreign markets. About one-fourth of the total world market is in Japan and the industrialized countries of Western Europe. These are the markets to which American manufacturers are effectively denied access. Growth in demand for electric power equipment in the next 10 to 15 years is expected to triple in these closed markets, while the forecast of American equipment demand is for more than doubling of present requirements. Thus, by reason of discriminatory, unfair trade practices, foreign manufacturers will share substantially in the expanding U.S. market while continuing to enjoy protected status in their own expanding home markets.

If existing trade policy, or lack of trade policy, is allowed to continue long enough, the United States will necessarily become dependent upon foreign manufactures to supply much of the electrical equipment indispensable to our American standard of living. In the face of an increasing volume of one-way, dual-priced foreign trade, no prudent U.S. industrial management can continue indefinitely to invest in modern plants and sophisticated equipment, finance essential research and development, and maintain employment of the highly skilled personnel needed to supply our ever-increasing demand for more efficient, reliable large electrical equipment.

Let us repeat, American manufacturers have kept their plants and productive processes fully modern. But they cannot require foreign manufacturers or foreign governments to conform to the same standards of marketing which we must observe. Only our Government can do this.

Over the past six years, NEMA and its member companies have regularly and frequently urged the Executive Branch of our Government to deal with unfair international competition in heavy electrical equipment. In testimony before the Trade Information Committee, and numerous other representations to trade and procurement officials, we have asked that ground rules for equal access be laid down.

The results of our efforts are disappointing. While many officials in Executive departments and agencies recognize the problem, and seem sympathetic, there is a reluctance finally to meet the problem head-on. We, of course, welcome the initiative of the Office of the Special Representative for Trade Negotiations and the Treasury Department, beginning in 1968, to raise the issue of restrictive government procurement in heavy electrical equipment in the Trade Committee of the Organization for Economic Cooperation and Development (OECD). U.S. representatives in that committee have proposed drafting international guidelines for government procurement of such equipment and, we understand, have offered suggested guidelines. But that effort is now almost two years old—and without result, except for the negative conclusion that foreign governments, by their inaction, simply do not intend to alter their present restrictive policies.

Realistc solution of our problem thus appears to require legislative action by Congress. While we do not think H.R. 18970 provides adequate solutions for all the particular trade restrictions and inequities we face, it does contain certain provisions which we consider constructive and desirable.

We have the following comments with respect to H.R. 18970.

First: Extension of the President's authority to make duty reductions to compensate for escape clause reductions: We urge the adoption of Section 203 of H.R. 16920 rather than Section 101 of H.R. 18970. The Section 203 approach seems far more equitable than authorizing up to 20 percent additional duty reductions on products which were subjected to the full 50 percent reduction permitted in the Kennedy Round. Electrical equipment should not be exposed to further tariff reductions until the other industrialized countries effectively open their markets to American-made electrical equipment. Furthermore, tariffs on other industrial products which were reduced less than 50 percent in the Kennedy Round should first be subjected to any needed compensating reductions. Although the granting of authority to the President to reduce duties an additional 20 percent would not prescribe that our electrical products be the target of such authority, historically we have had little persuasive impact upon the Trade Information Committee or the Trade Executive Committee when they decide which U.S. import duties to reduce. These products could become a further target, thereby compounding existing foreign trade inequities.

Second: Escape clause and adjustment assistance: NEMA endorses the liberalizing provisions of H.R. 18970 with respect to escape clause relief and adjustment assistance, although neither provision was designed or is fully appropriate as a remedy for unfair foreign competitition. Indeed, almost by definition, tariff protection and/or aid to affected industries and workers applies to *fair* foreign competition which injures or threatens to injure a domestic industry or firm or has been a substantial cause of unemployment. In any event, neither moderate tariff increases nor adjustment assistance can effectively end foreign restrictive practices and unfair competition.

Third: Section 252: Section 252 of the Trade Expansion Act of 1962 was intended to be an important weapon for penalizing unfair foreign competition.[1] To this end, NEMA believes Section 252 should be amended to broaden the President's authority to act against discriminatory foreign import restrictions on our exports.

Section 103 of H.R. 18970 would improve the existing law and transform it into a more effective, usable element of U.S. trade policy. If properly administered, Section 252 as thus amended could help to solve the fundamental trade inequity which faces U.S. manufacturers of heavy electrical equipment, i.e., the nationalistic procurement practices of foreign electric utilities and power boards, and the subsidies accorded to foreign exports to the United States, as well as third-country markets.

AMERICAN IMPORTERS ASSOCIATION INC.,
ORGANIC CHEMICALS GROUP,
New York, N.Y., October 23, 1970.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR CHAIRMAN LONG: This submission is made by the Organic Chemicals Group of the American Importers Association, Inc., 420 Lexington Avenue, New York, N.Y. 10017, which requests that this letter and accompanying material be included in the Committtee's record pertaining to the text of H.R. 18970—The Trade Act of 1970—which the Committee is considering as an amendment to H.R. 17550, the Social Security Act of 1970.

The Organic Chemicals Group is composed of the principal U.S. importers of chemicals the duty on which is computed by use of the American Selling Price ("ASP") system of valuation as required by present tariff laws. The Organic Chemicals Group favors the enactment into law of the provisions of Chapter 4, Title III, of H.R. 18970 as adopted and reported by the House Committee on Ways and Means on August 21, 1970 and opposes the tentative action of the Committee on Finance, taken on October 13, 1970, to not favorably report these provisions to the Senate. These provisions of H.R. 18970 would authorize the President to proclaim the termination of the present ASP system as applied to chemical imports. Such action of the President in turn would result in the so-called "ASP package" negotiated in the Kennedy Round of GATT negotiations being fully implemented by the United States and its major European trading partners. One principal result will be substantial reductions in European tariffs presently applicable to U.S. exports of chemicals. We are confident that upon further reflection the Committee will conclude that its tentative action rejecting the elimination of the ASP method of valuing chemical imports, vitiating as it will the implementation of the "ASP package" and the consequent benefits thereof to U.S. exports of chemicals, is ill-advised and should be reversed.

[1] See Senate Report No. 2059, 87th Cong., 2nd Session, report of the Committee on Finance, to accompany H.R. 11970, Sept. 14, 1962; and Senate debate on H.R. 11970.

The Organic Chemicals Group has been studying this ASP question ever since it appeared that these provisions might be the subject of trade agreement negotiations under the Kennedy Round of the GATT. Thus, since 1963, the Organic Chemicals Group has devoted a great deal of time and effort to developing the pertinent facts relating to the repeal of the ASP provisions. In particular, the Organic Chemicals Group has stressed the necessity for a full and reasoned analysis of the claims of certain segments of the U.S. chemical industry that the repeal of the ASP provisions, and the consequent implementation of the "ASP package," would adversely affect the U.S. balance of trade in chemicals, would undermine the strength and vitality of the U.S. chemical industry, and would cause large numbers of workers in the American chemical industry to lose their jobs.

Recognizing that the question of the repeal of the ASP provisions ultimately would be considered by the Congress, in mid-1967 the Organic Chemicals Group commissioned Robert Stobaugh to make an independent, detailed study of the impact which the adoption of the "ASP package" would have on the U.S. balance of trade and the fortunes of the U.S. chemical industry, including, of course, its workers. Professor Stobaugh was particularly well qualified to make this study. He is on the faculty of Harvard University's Graduate School of Business Administration and is both an engineer and an economist with many years of business and academic experience in the chemical and oil industries. Professor Stobaugh has written extensively and is a well respected member of the economic community. Indeed, Professor Stobaugh, on invitation, appeared this past July before the Subcommittee on Foreign Economic Policy of the Joint Economic Committee. We are enclosing a detailed *curriculum vitae* on Professor Stobaugh for the record.

In July 1968, Professor Stobaugh completed his study which is entitled "Effects of the Proposed ASP Package on U.S. Chemical Exports and Imports," a copy of which is enclosed for the record. In his study, Professor Stobaugh concluded that the elimination of the ASP system of valuation, as part of the multilateral tariff reduction program, embraced by the "ASP package," would enhance the world-wide competitive position of the U.S. chemical industry, and, accordingly, would stimulate and contribute to the health and growth of the U.S. chemical industry.

The Organic Chemicals Group recently asked Professor Stobaugh to review the conclusions reached by him in his 1968 report and he has done so. Professor Stobaugh prepared a memorandum, dated October 22, 1970, in which he demonstrates the validity of the conclusions which he reached in his 1968 study and reaffirms his basic conclusions that the implementation of the ASP package of the Kennedy Round will be beneficial to all U.S. interests concerned and not have any detrimental effects. A copy of Professor Stobaugh's October 22, 1970 memorandum is also enclosed.

In sum, economic analysis demonstrates that the repeal of the ASP provisions, and the consequent implementation of the "ASP package," will not have any adverse effects on the U.S. chemical industry or its workers; indeed, to the contrary, such repeal will have a beneficial effect. The Organic Chemicals Group has seen nothing produced by any other interest in this matter which contravenes this conclusion.

When the Committee reconsiders its tentative decision to reject the repeal of the ASP provision, it must be mindful of the minority position which this tentative action represents. The original request to the Congress to repeal the ASP Administration reiterated this request when President Richard M. Nixon sent to the Congress in November of 1960 his first major legislative proposal in the trade field. While the present Administration has modified its stand on other aspects of trade policy over the past year. on one point it has remained steadfast: Each spokesman of the Administration on trade has continued to insist that legislation implementing the trade policy of the United States begin with the repeal of the ASP provisions so that the "ASP package" can be implemented. This firm Administration policy was reiterated to the Committee on Finance just last week. In their testimony to this Committee, the Secretaries of State and Commerce, as well as the President's Special Trade Representative, again unanimously affirmed the Administration position that the ASP provisions of law should be repealed. Finally, as previously indicated, the Committee on Ways and Means has recommended to the House the repeal of the ASP provisions.

Thus, it is hard for us to understand why the Committee on Finance should stand alone in favor of the retention of the ASP provisions of present law and the rejection of the "ASP package." All agencies of government, from the President on down, have maintained that the abolition of ASP was essential and have rejected the claims of certain interests that such abolition would be inimical to the welfare of the U.S. chemical industry and its workers. Its counterpart in the House—the Committee on Ways and Means—came to the same conclusion.

We urge the Committee to reject its tentative determination in favor of agreeing with the President, the heads of all major departments, and the Committee on Ways and Means that the ASP system of valuation should be abolished so that the "ASP package" will be implemented.

Very truly yours,

ORGANIC CHEMICALS GROUP OF THE AMERICAN IMPORTERS ASSOCIATION, INC.,
KARL A. HOCHSCHWENDER, *Chairman.**

Robert Stobaugh, Associate Professor of Business Administration, Harvard University Graduate School of Business Administration. B.S. (Chemical Engineering), Louisiana State University (1947): Doctor of Business Administration, Harvard University Graduate School of Business Administration (1968).

Held various positions in economic evaluation, marketing, financial analysis, and engineering functions of Monsanto, Caltex Oil Group, and affiliates of Standard Oil Company (New Jersey), in the United States, Europe, Middle East, and South America. Consultant to governments, oil companies and chemical companies on industry economics, diversification, and international business; Alternate Member of President Johnson's Public Advisory Committee on Trade Policy (1968); author of report, "The U.S. Oil Import Program and the Petrochemical Industry," prepared for President Nixon's Cabinet Task Force on Oil Import Control". (1969).

Author of books, *Petrochemical Manufacturing and Marketing Guide, Volume 1, Aromatics and Derivatives* (1966) and *Volume 2, Olefins, Diolefins, and Acetylene* (1968); and author of over two dozen articles on international trade and investment, petrochemical markets and economics, pricing, marketing research, overseas project management, and computer simulation in such journals as the *Harvard Business Review, The Review of Economics and Statistics, Hydrocarbon Processing, The Oil and Gas Journal, Chemical Engineering Progress,* and *Chemical Engineering.* As part of a Ford Foundation Project, presently authoring books on the international petrochemical industry and financial management of multinational enterprises. Speaker on these subjects at various national and international meetings.

Editorial Board of the *Journal of International Business Studies.* Registered Professional Engineer, Chairman of Data and Statistical Committee of Association for Education in International Business, and a member of Chemical Marketing Research Association, American Institute of Chemical Engineers, American Economic Association, and American Finance Association.

MEMORANDUM SUPPLEMENTING AND UPDATING 1968 STUDY: "EFFECTS OF THE PROPOSED ASP PACKAGE ON U.S. CHEMICAL EXPORTS AND IMPORTS"

(By Robert Stobaugh)

Two years ago, I did a study of the effect that adoption of the ASP Package would have on the volume of U.S. chemical exports and imports.[1] Since that time export-import statistics for several additional years, including the first two years of operations under the Kennedy Round, have become available.

I will compare the key forecasts in my 1968 study with the actual statistics pertaining to the latest years for which statistics are available. Also, I will cite the key forecasts made by opponents of the Kennedy Round and ASP Package and compare their forecasts with actual results. I believe that these comparisons will provide a basis for judging my assumptions and estimating techniques as contrasted with those of the opponents of the Kennedy Round and ASP Package. Finally, I will summarize the most important conclusions in my 1968 report because a thorough review of this subject indicates to me that these conclusions are still valid.

To compare my earlier forecasts with actual results is the first business at hand. My 1968 report contained forecasts of the results in 1972 if the ASP Package were *not* approved. From these forecasts I have derived implicit estimates for intermediate years. I now would like to compare the derived forecasts for the most

*In accordance with the Foreign Agents Registration Act this witness supplied the Committee with materials related to his registration.

[1] This study was made a part of the official files of the Committee.

important variables for 1968 and 1969 with the actual statistics for these years. In each case I will use the latest year for which statistics are available.

I estimated that U.S. production of benzenoids would continue to increase; and, indeed, it has. Production in 1969 reached an all-time high of $8.4 billion, or 9% higher than I forecast. Further, as I predicted, imports of benzenoids continued to increase, reaching $117 million in 1969, or 15% less than my forecast. In the context of the whole, total benzenoid imports were still less than 2% of U.S. benzenoid consumption.

While it is clear that such a low level of imports has not damaged the U.S. benzenoid industry as a whole, it is vital to examine each sector of this industry in order to determine whether any has experienced damage. Such an examination reveals that imports represent a greater percentage of consumption in dyes than in any other sector. I predicted that U.S. imports of dyes would continue to rise and would reach $42 million in 1969; the actual figure was $37 million, or 12% less than the estimate. U.S. production of dyes continued to increase, in line with my forecast, reaching $390 million in 1968, or 4% higher than my estimate of $374 million. These comparisons of my estimates versus the actuals are shown in Table 1, appended to this memorandum.

In conclusion, there has been continual growth both in U.S. production and imports of benzenoids. Importation of dyes is especially important; but even in dyes U.S. production has continued to expand, and imports are still less than 10% of U.S. production.

Turning now to my estimates of U.S. export increases, the U.S. chemical exports to be affected by adoption of the ASP Package are exports going primarily to the European Economic Community nations and the United Kingdom. (I have not considered any increase in exports of certain chemicals to Austria and the Scandinavian countries, which also are affected, as these exports are small compared with exports to the EEC and the U.K.; so my estimate of increased exports are on the conservative side.) in 1966, the last year for which data were available when I wrote my 1968 report, U.S. chemical exports to these two areas were $769 million; by 1969 they had reached $999 million, a figure very close to my estimate of $995 million. Further, I predicted that much of the export gain would be in newer product categories and in products made by continuous-process, large-scale plants; I specifically mentioned plastics, organic chemicals, and the "all other" category of chemicals. Increased exports of these three categories accounted for almost ⅔ of the total increase in chemical exports, $146 million out of the $230 million total increase.

From this evidence it appears that all of these key estimates were reasonably accurate, in that all pointed in the correct direction and all were reasonably close to the actuals. The only "error" consisted in understating the desirable effects of the Kennedy Round unconditional tariff cuts: imports did not grow to the extent I predicted, while production and exports grew more than forecast.

I now would like to compare the key predictions of the opponents of the Kennedy Round and ASP Package with what actually resulted after they made their predictions. I do this with some reluctance because I dislike pointing out how far some of my friends in the domestic industry missed their predictions; but, I believe it is important that attempts be made to compare estimates from different sources in order to aid interested parties in their study of the problems.

The most serious charge of the opponents of the Kennedy Round Agreement and the ASP Package was that the Kennedy Round cuts would threaten the health and growth of the U.S. chemical industry and that existing investments in benzenoid production facilities had been placed in jeopardy. This is in stark contrast to what actually happened. In 1968 and 1969, the first two years under the Kennedy Round Agreement, the output of the domestic benzenoid industry increased more than in the last two years prior to this agreement. As you might expect, employment and company profits in the chemical industry showed similar patterns—both rose more in the first two years under the Kennedy Agreement than they had risen in the two years prior to the Agreement.[1] Even the in dye sector, domestic production has risen substantially since the Kennedy Round went into effect. Note that opponents of the Kennedy Round had predicted that domestic dye production would level off and eventually decline.

The other important prediction of the opponents of the Kennedy Round Agreement was that the foreign trade surplus of the U.S. chemical industry would decline, reaching a new low every year and changing to a deficit by 1975. Underlining this prediction was the belief that exports would decline because the exports

[1] U.S. Department of Commerce, *U.S. Industrial Outlook*, 1970, Chapter 15.

markets already had been lost. You can see that these predictions are diametrically opposite to my prediction of a continued increase in chemical exports. The actual export results of the first two ears under the Kennedy Round Agreement have been little short of spectacular—there was a $580 million increase in our chemical exports: as a result, the net chemical trade balance climbed to $2.15 billion. This trend continued even more strongly in the first 7 months of 1970, during which time the net chemical trade balance reached an annualized rate in excess of $2.5 billion, or 19% over 1969. What is more, this amazing show of competitive strength on the part of the U.S. chemical industry is taking place during a time of relatively high inflation in the United States.

For your convenience, these anti-Kennedy Round predictions together with my predictions and the actual results are summarized in Table 2.

From these data I conclude that the opponents of the Kennedy Round and ASP Package not only missed their predictions by a wide mark but also failed to forecast even the direction in which the variable would move. It is significant that in each case they forecast dire consequences that did not take place.

Why, you may well ask, did a number of U.S. chemical companies oppose the Kennedy Round Agreement and the ASP Package? Frankly, I will have to admit that I do not know the answer. I am puzzled by their contradictory stand that lower foreign tariffs *will not* increase U.S. exports,[2] although lower feedstock costs *will* increase U.S. exports.[3] These obviously are inconsistent stands.

Now I would like to turn to a presentation of the major conclusions of my ASP study as carried out in 1968 and since reviewed in light of subsequent data. My *first* major conclusion is that adoption of the ASP Package would result in an increase of approximately $110 million in the U.S. net trade balance in chemicals in 1972. This is the base year for which the effects of the ASP Package are estimated; a larger net trade balance would be expected for subsequent years. This $110 million would result from increases in chemical exports of about $130 million and increases in chemical imports of about $20 million. In order to arrive at this final estimate it was necessary to make estimates of certain key variables. Among these may be mentioned the various trade flows that prevailed before tariff changes were proposed; the change in average U.S. tariff rates on benzenoids as a result of adoption of the ASP Package; the effect of tariff changes on exports and imports; and, finally, the effect of removal of the U.S. importers' uncertainties which now result from the "American Selling Price" method of valuation.

The estimates of these key variables are based upon a combination of previous empirical studies, standard methods of market forecasting, and my judgment. Since it is not possible to be sure that any one estimate is correct for any variable, I vaired these estimates over a wide range in order to determine a probable range within which the increase in net trade balance in chemicals would fall in 1972. With respect to these multiple calculations, the lowest estimate of increase in the U.S. net trade balance is $67 million and the highest estimate $153 million, compared with the "best" estimate of $110 million. An important finding emerges here. Under any of my estimates of the key variables, the increase in United States exports promises to exceed substantially any increase in imports.

My second major conclusion is that the United States will continue to be a major exporter of chemicals in spite of the much higher wages paid in the U.S. chemical industry than in the chemical industries abroad. A number of international trade studies provide evidence indicating that unit wage rates are not an important determinant of chemical exports. These same studies indicate that new product development expenditures, resulting from a large domestic market, are much more important in explaining chemical exports than are unit wage rates.

Increases in exports resulting from the adoption of the ASP Package would come in two major categories: (a) new products and (b) those products made by continuous-process, large-scale plants. Many of the new products are engendered first in the United States because of the development activity which results from the large internal market. Although plants for the manufacture of any new product of major commercial importance will eventually be built in the European Economic Community and the United Kingdom, lower foreign tariffs would

[2] *Foreign Trade and Tariff Proposals*, Hearings before the Committee on Ways and Means, House of Representatives, Ninetieth Congress, Second Session on Tariff and Trade Proposals (Washington: U.S. Government Printing Office, 1968). pp. 4487, 4497, 4601. "MCA (Manufacturing Chemists' Association) Position on the Kennedy Round Agreement, The Supplemental Agreement Relating Principally to Chemicals, and Proposed Trade Policy Legislation," p. 5.

[3] IBID., 4603. "Statement of the Manufacturing Chemists' Association in Connection with the Oversight Review of U.S. Trade Policy by the Senate Finance Committee," p. 10.

delay the construction of the plants abroad and contribute to the increase in United States exports. Certain plastics fit this description, for example, along with some new products which have not yet been commercialized but which will appear in the "basket" categories of tariff schedules.

In the *second* major category—chemicals that are made in continuous-process, large-sclae plants—the sizable market of the United States enables very large plants to be built here, resulting in low unit manufacturing costs. Very often the output from one such plant represents a substantial portion of the requirements of a product for a given foreign country. Even after a foreign country begins turning out a certain product, that country in subsequent years sometimes has a shortage while additional new capacity is being added. For example, a single foreign country might consume 100 million pounds of product annually and have one plant of 100 million pounds annual capacity. As the consumption of the product increases in this foreign country, the manufacturer there might wait until total consumption is 160 million pounds annually before adding another plant (given that a capacity of 100 million pounds is the minimum efficient size). Thus, over a period of several years the imports would increase from zero up to 60 million pounds and then fall back to zero as the new plant is completed. Plants in the United States are playing a major role in supplying such countries with the chemicals they need to fill this gap between capacity and consumption. At the same time, lower foreign tariffs would increase this type of export by delaying the construction of additional plants abroad. Even relatively large-market countries such as Germany use this type of export from the United States. For example, Germnay has produced styrene monomer since 1931 but had a temporary shortage in 1964 and 1965 while a new plant was being built there. During these two years U.S. companies exported almost $10 million yearly of this product to Germany.

The *third* major conclusion is that adoption of the ASP Package would increase United States chemical imports because of two factors. The first of these factors is a decrease in tariffs on a few non-benzenoid chemicals; such decreases would be expected to increase imports by about $3 million yearly. However, in the case of benzenoids, which is the product category affected by the American Selling Price method of valuation, I estimate that the change in average tariff levels, when weighted by trade flows, would be negligible so far as adoption of the ASP Package is concerned. The converted tariff rates based on U.S. Tariff Commission calculations are intended to provide the same revenue as the unconverted rates used with the ASP method of valuation. True, a number of the peaks and valleys in the tariff schedule would be smoothed by adoption of the ASP Package. This smoothing would result in lower tariffs in a number of cases, as well as higher tariffs in other cases. Nevertheless, in a detailed check, I did not find any systematic bias toward either lower or higher equivalent tariffs. A close examination of the dye category. for example, showed that because of the much larger quantity of imports at the lower duty levels which would be raised by adoption of the ASP Package, there would be on the average a slightly higher weighted-average duty on dyes.

The second factor increasing U.S. imports and related to adoption of the ASP Package would be the removal of the present uncertainty caused by basing United States duty on the American Selling Price rather than on the export value in the exporting country as is done with other products. This ASP method results in uncertainty for the U.S. importer, in that the American Selling Price for an individual item can change any time, and the U.S. importer is never certain what the duty will be until the goods have been valued by the United States Customs. Removal of the uncertainty in the traiff valuation process would, according to my projections, result in an increase of approximately $17 million in United States imports. This $17 million figure when added to the previously mentioned $3 million leads to an estimate of $20 million for the increase in United States imports for 1972.

My *fourth* major conclusion is that adoption of the ASP Package would have a relatively minor effect on the United States benzenoid industry. Total benzenoid imports in 1972 are expected to be less than 3% of the total value of benzenoid production in the U.S. The increase in benzenoid imports brought about by the adoption of the ASP Package would likely be less than 0.2% of the total U.S. production of benzeniods in 1972. Production in each major segment of the benzenoid industry is expected to show substantial growth between now and 1972; the value of total production of U.S. benzenoids is predicted to reach $10 billion in 1972—compared with $7 billion in 1976, the last year before the Kennedy Round tariff cuts started to take effect.

My *fifth* major conclusion is that, on the average, a 30% U.S. tariff for dyes would be greater than the difference in manufacturing costs between Germany and the United States. A comparison of the cost of manufacturing dyes in the United States with the cost of manufacturing dyes in Germany was included in the study because of the concern about foreign competition in this category and because of my estimates that dye imports would be a higher percentage of United States production than would be the case in other benzenoid product categories. Germany, the world's largest exporter of dyes, was selected for this comparison; this comparison indicates that on the average German costs would be at least 83% of U.S. costs. If a 30% tariff and a 5% freight cost are added to the German costs, then the result would be landed cost for German dyes equal to 112% of the cost of U.S. dyes. Of course, because all operations are not "average," the U.S. imported $34 million of dyes in 1968, many of which did not compete with U.S.-produced dyes. This quantity of imports compares with $390 million of U.S. dye production.

The wages of production workers are a slightly higher percentage of value added by manufacture in the dye category than in a number of other chemicals—24% for dyes versus 20% for the intermediate coal-tar product category as a whole, for example. Nevertheless, the European export strength in dyes seems to result from technical superiority rather than low wages. Chemical industry foreign investment often results from technical know-how owned by the investing firm, and the Europeans own proportionately more dye manufacturing facilities in the U.S. than they do facilities to manufacture other chemical products.

My *sixth*, and last, major conclusion is that adoption of the ASP Package would enable the Government to recover the practical ability to set tariffs on benzenoid products. At present, for practical purposes, the power to set effective tariffs rests with the United States producers in the case of products protected by the American Selling Price method of valuation. Once a tariff is set by law, the effective tariff rate is raised whenever the competitive situation allows the United States producers to increase the price of the product. The protection of the consumer through the setting of effective tariffs by Law is especially important in dyes because of the relatively low level of competition existing in this category, where 50% of the individual dyes are made by only one U.S. producer and 85% by four or less U.S. producers.

In conclusion, it appears that my prior estimates were based on sound assumptions and methodology. Accordingly, I feel confident that adoption of the ASP Package will improve the U.S. net trade balance in chemicals, most probably to the amount of $110 million annually by 1972.

TABLE 1.—COMPARISON OF ACTUALS WITH ESTIMATES IN STOBAUGH'S 1968 "ASP PACKAGE" REPORT[1]

[Dollar amounts in millions]

Item	Latest statistics available when Stobaugh's 1968 report was written: Year	Actual	Latest statistics currently available: Year	Estimates in Stobaugh's 1968 report	Actual	Difference between actual and Stobaugh estimate (percent)
U.S. production of benzenoids[2]	1965	$6,200	1969	$7,700	$8,400	+9
U.S. imports of benzenoids[3]	1966	88	1969	137	117	−15
U.S. production of dyes[4]	1965	320	1968	374	390	+4
U.S. imports of dyes[5]	1966	26	1969	42	37	−12
U.S. exports of chemicals to EEC and United Kingdom[6]	1966	769	1969	995	999	+.4

[1] Foreign trade and tariff proposals, hearings before the Committee on Ways and Means, House of Representatives, 90th Cong., 2d sess. on tariff and trade proposals (Washington, U.S. Government Printing Office, 1968), pp. 4679, 4704.
[2] Estimated from U.S. Tariff Commission, "Synthetic Organic Chemicals United States Production and Sales," and U.S. Department of Commerce, "U.S. Industrial Outlook 1970."
[3] U.S. Tariff Commission, "Imports of Benzenoid Chemicals and Products."
[4] U.S. Tariff Commission, "Synthetic Organic Chemicals, U.S. Production and Sales."
[5] U.S. Tariff Commission, "Imports of Benzenoid Chemicals and Products."
[6] U.S. Bureau of Census, "U.S. Exports."

TABLE 2.—COMPARISON OF KEY PREDICTIONS OF OPPONENTS OF KENNEDY ROUND AGREEMENT WITH THOSE OF STOBAUGH AND WITH ACTUAL RESULTS

[All predictions reported below apply to condition that ASP package was not approved]

Subject	Predictions by opponents of Kennedy round and ASP package	Predictions in Stobaugh report of July 1968	Actual results based on latest information available in May 1970
U.S. benzenoid production.	Adversely affected by Kennedy round tariffs cut, with existing facilities placed in jeopardy.[1]	Substantial growth expected [2].	Increased more during 1st 2 years of Kennedy round agreement than in 2 years immediately prior to agreement.[3]
U.S. dye production	Level until 1973 and then declining.[4]	do [5]	Increased 10 percent in quantity and 13 percent in dollars during 1st year of Kennedy round agreement.[6]
U.S. chemical trade	Trade surplus of U.S. chemical industry will decrese and reach zero by 1975,[7] because of loss of export markets.[8]	Chemical exports will continue to increase.[9]	Exports reached new highs each year; net trade balance up 17 percent in 1st 2 years of Kennedy round.[10]

[1] Foreign Trade and Tariff Proposals, Hearings before the Committee on Ways and Means, House of Representatives, 90th Congress, 2d session on Tariff and Trade Proposals (Washington: U.S. Government Printing Office, 1968), pp. 4485, 4788.
[2] Ibid., 4678–4691.
[3] U.S. Department of Commerce, U.S. Industrial Outlook 1970.
[4] Same as note 1, pp. 4752–4753.
[5] Ibid., 4678–5691.
[6] U.S. Tariff Commission, Synthetic Organic Chemicals, U.S. Production and Sales.
[7] Same as note 1, pp. 4536, 4559.
[8] Ibid., 4507–4658.
[9] Ibid., 4677.
[10] U.S. Bureau of the Census, U.S. Exports; U.S. Imports.

GRAUBARD, MOSKOVITZ, MCGOLDRICK, DANNETT & HOROWITZ,
New York, N.Y., October 23, 1970.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR CHAIRMAN LONG: The American Institute for Imported Steel, Inc., 420 Lexington Avenue, New York, N.Y. 10017 ("AIIS") respectfully submits this letter in response to the Committee's telegram received Friday, October 16, 1970, advising the AIIS that it would not be given an opportunity to present oral testimony to the Committee in the course of its present deliberations on the text of the Trade Act of 1970—H.R. 18970—which is still pending in the House, but only would be permitted to submit a written statement to the Committee, which would be included in the record if filed by the close of business Friday, October 23, 1970.

Before responding substantively on the issue of U.S. trade policy and the steel trade, we are constrained once more to urge the Committee to reconsider its decision to limit public hearings on this subject to just two days. Numerous interested parties have been denied an opportunity to make a full presentation by this decision. Thus, we and many other groups and invididuals will have no opportunity to engage in a dialogue with the Members of the Committee on the importance of the United States' adoption of a forward-looking trade policy for the 1970s.

The direction of our trade policy has been entrusted by the Constitution to the Congress. Its enactment of enabling legislation to guide the Executive plays the most significant, and indeed crucial, role in the overall framing of U.S. trade policy. For this reason, Congress must carefully deliberate before acting to insure that its trade policy directives will serve the real needs of the United States economy and its citizens. The time-tested manner of accomplishing this imperative has been to expose legislative proposals to public scrutiny for a sufficient period of time so that interested parties can study and adequately set forth their views of the full import and significance of such proposals.

It is particularly important, in the circumstances of this pending trade legislation, that these historic legislative due process procedures be followed. H.R. 18970, as reported by the Committee on Ways and Means, does not even resemble the Administration's trade proposals set forth in H.R. 14870 which was the subject of its extensive hearings. H.R. 18970 would establish a trade policy directive from the Congress to the Executive which is an almost 180 degree shift from the present direction sought to be maintained by the Administration. H.R. 18970 is an entirely new bill whose principal features and concepts have never been the subject of any hearings or scrutiny by the public.

The only forum which can provide the necessary public hearings is the Senate Finance Committee. We respectfully submit that two days of hearings, on less than 24 hours notice, and one week for submission of written views by interested parties constitute a woefully inadequate response by the Committee.

Despite this handicap we will briefly summarize the role that the steel trade plays in strengthening the U.S. economy not only from the steel consumer's, but also the steel producer's and steel worker's standpoint.

(1) *The international steel trade benefits the U.S. economy.*

(a) *Benefits to U.S. firms and industries and to U.S. labor.*—While the domestic steel industry has claimed that steel imports have lost sales and profits and have contributed to domestic unemployment, the facts are precisely to the contrary.

Steel imports, of course, have created profits and jobs in the U.S. importing firms who conduct this business, in the U.S. ports which handle the shipments, in the shipping, trucking, railroad and other industries which transport the material to destination and in the domestic steel warehousing industry.

Of even more significance is the fact that a number of industries composed of small American businesses has grown up in the last decade because of the availability of competitively-priced imported steel products. These steel fabricators, notably in the wire products (i.e., wire, road mesh, fencing, wire containers, etc.) industries, could not exist without a competitively-priced supply of semi-finished steel products from abroad. Their only other raw material sources are the large, integrated domestic steel producers, who are their competitors in the markets for the end products. The profits of these nonintegrated steel fabricating firms, located in every part of the country, and the jobs of their workers are a direct result of steel imports. Indeed, when the domestic integrated steel industry made a concerted attack on steel wire rod imports in 1962 and 1963 in the form of an omnibus antidumping complaint, a number of these firms sent officials to Washington from virtually every region of the country to testify before the Tariff Commission in defense of these steel imports. The record of the Tariff Commission proceedings (i.e., Investigation No. AA1921–27), apparently has already received the attention of this Committee. In this regard, we note that the Honorable Russell B. Long introduced a joint resolution, S.J. Res. 124, to provide for an investigation of actual or potential "injury to independent domestic wire drawers" from the curtailment of the supply of competitively-priced wire rods through import restrictions.

The domestic integrated steel industry itself has benefited from steel imports. In the post-World War II period, when other steel industries which had suffered the ravages of war were being rebuilt, the domestic steel companies used their international competitive advantage to extract maximum short term profits with which, among other things, to lavish benefits upon their managements. The U.S. steel industry was consistently at or near the bottom of the list of industries in terms of percentage of revenues devoted to research and development. Millions of dollars worth of outmoded steel producing equipment was installed by the U.S. integrated producers during this period, despite the fact that abroad advanced processes had been developed which were being incorporated in the reborn European and Japanese industries.

The degeneration of the facilities of the U.S. integrated steel industry has been dramatically reversed in the nineteen sixties under the spur of import competition. The L-D process, continuous casting and other innovations are now being accepted by U.S. steel managements, and research and development is no longer an anathema. Yet, given the oligopolistic, non-price competitive nature of the U.S. industry, would it have modernized without the healthy breeze of competition supplied from abroad?

Thus, it is apparent the oft repeated general charge that the domestic integrated steel industry has been injured by imports is patently false. The "factual" basis given for this charge, that 70,000 or 100,000 U.S. jobs and large revenues are being lost because of steel imports, as the U.S. industry's spokesmen well know, is statistically unsupportable.

The domestic steel producers, in Hearings before the Committee on Ways and Means in 1968, claimed that an 80 million ton world overcapacity threatened the U.S. market as their justification for import quotas. Yet in 1969 and 1970, the domestic industry's spokesmen admitted that steel was in short supply here and claimed that this was part of a world-wide steel shortage. Again in the 1968 Hearings, it was claimed that 70,000 U.S. jobs were lost due to steel imports. Yet in 1969, the domestic steel industry produced 10 million more tons of steel than 1968—approximately the same tonnage as was imported in 1967—with 5,000 less production workers. With a full awareness of these statistics published by its own trade association, the American Iron and Steel Institute, the domestic integrated steel producers now claim that 100,000 U.S. jobs are being lost because of steel imports.

(b) *Benefits to U.S. consumers.*—It is a cardinal tenet of our free enterprise system that competition benefits the consumer in the form of lower-priced and better products. The behavior of domestic steel prices (which affect the price of a wide spectrum of consumer products from automobiles to safety pins) under the influence of normal import competition during the years 1967 and 1968, speaks for itself. During those years, steel prices rose considerably more slowly than the overall price index. (As noted later in regard to the detriments of unjustified restrictions on the international steel trade, precisely the reverse has been true in 1969 and 1970.) Thus, steel imports, when allowed to do so, contribute to the fight against inflation.

(c) *Benefits to U.S. balance of trade.*—The argument has been made that, because in recent years steel imports have exceeded steel exports, steel imports are detrimental to the U.S. balance of trade. The basic fallacy of the argument is the implicit assumption that trade in one group of products can be divorced from the overall U.S. trade position. The U.S. balance of trade, of course, has been a favorable one in every year since the Second World War.

For a majority of those years, U.S. steel exports were greater than steel imports. Indeed a number of the members of the AIIS started in business as steel exporters, and some of them once again are exporting American steel because of the increased efficiency and consequent increased international competitiveness of the U.S. steel industry. If present trends continue, steel imports and exports may well be in balance in the not too distant future. Indeed, there is no reason why the American steel industry, with its immense resources, should not again become the most efficient steel industry in the world and recapture the export markets it allowed to go by default in the nineteen sixties.

Moreover, even in order to strike a balance of trade with respect to steel alone, there would have to be taken into account the substantial American exports of products manufactured from steel. The American manufacturers of heavy machinery, machine tools and the many other products containing steel can only retain their competitive position in world trade if they can obtain a competitively-priced raw material supply. Imported steel has enabled them to do so, not because any substantial portion of the steel in American exports is imported, but rather because the competition of steel imports in the American market has compelleed the domestic steel industry to sell to these manufacturers at competitive prices.

Thus, severe restrictions on steel imports at the very most could have only a very small, short term favorable effect on the U.S. balance of trade. Because trade is reciprocal, any substantial reduction of steel imports must ultimately be paid for by the United States by a substantial reduction in U.S. exports. Such reduction might well be caused by retaliation against U.S. exports by the steel exporting nations. Even in the absence of overt retaliation, U.S. exports of necessity would diminish simply because those nations would not have the revenues from exports to the United States with which to purchase the present volume of U.S. exports.

In sum, the United States cannot restrict imports of a range of specific competitive products, and at the same time expect to continue to maintain its position in the world as the leading exporting nation with a consistently favorable balance of trade.

(2) Detriments to the United States from an unjustified limitation on the international steel trade

The detriments to the United States economy from unjustified restrictions on the steel trade have been demonstrated in a most concrete way during 1969 and 1970. As the Committee knows, a Voluntary Export Restraint Program ("VERP") came into effect on January 1, 1969 and, under its present terms, will terminate at the end of 1971. The essence of this program was a commitment by the European and Japanese steel producers to limit their exports to the United States in 1969 to approximately 77 percent of the 1968 level, with 5 percent increases over that level in 1970 and 1971. We believe that the Committee will find it not wholly coincidental that, since the inception of VERP, domestic steel prices have risen precipitously. At the same time, there have been numerous complaints by American nonintegrated steel fabricators of a shortage of competitively-priced raw materials.

As previously noted, the Honorable Russell B. Long took specific cognizance of the complaints of the small American fabricating firms dependent upon competitively-priced wire rods in introducing S.J. Res. 124 in this Congress. We respectfully submit that it would be more productive in stimulating U.S. employment and profits for this Committee to further consider and expand that resolution rather than to consider H.R. 18970.

H.R. 18970, as presently cast, would not establish a quota on steel imports, although there are rumblings that such quota might be offered as a Committee or floor amendment to the bill. As we have demonstrated, the U.S. steel industry does not need quota protection. Rather such "protection" would adversely affect and indeed has already so affected, and threatened serious injury to vital segments of the U.S. economy.

Even in its present form, H.R. 18970 would set the framework for quota recommendations from the Tariff Commission if, as is likely, escape clause actions would be instituted on certain basic steel products. The "arithmetic" formulae for determining "serious injury" contained in H.R. 18970—a wholly unique escape clause concept—would force a serious injury determination and a consequent quota recommendation on these basic steel products. Such an "item-by-item" establishment of quotas would be equally unjustified and damaging to American interests. For it is apparent that once a quota system is started on "just" a few key items, it is not long before it becomes "necessary" to extend the quota coverage to all other items. We need only recall the abortive attemps of just a few years ago to confine textile quotas to only a few "key" cotton products. Title II of H.R. 18970 is ample testimony to where such a "selective" approach inevitably leads.

For the reasons stated herein, the American Institute for Imported Steel is opposed to the enactment of H.R. 18970. We urge the Committee to reject this bill.

Respectfully yours,

American Institute for Imported Steel, Inc.
By Graubard Moskovitz McGoldrick
Dannett & Horowitz, *Counsel.**

Statement of Kurt Barnard, Executive Vice President, Mass Retailing Institute

Mr. Chairman and members of the Committee, my name is Kurt Barnard and I am the Executive Vice President of the Mass Retailing Institute, commonly known as "MRI". MRI represents over 3,800 discount department stores which employ over 800,000 people and account for approximately $24 billion a year in sales. There are discount department stores in every state of the Union.

Our members are primarily concerned with providing all types of quality consumer goods at the lowest possible prices. We serve some fifty million shopping families from all economic sections of the community, but we are particularly pleased with the fact that we are able to offer the essentials in material goods to people whose purchasing power is more restricted.

It has been in the past decade or so that the large discount department stores began to appear in great numbers across the country, making their major contributions to the advancement of the economy and the welfare of the entire shopping public. Their growth is attributable in large measure to the fact that they have responded to and fulfilled the needs of the average shopper of household goods, including textiles, shoes, kitchenware and electrical appliances, for quality products at the lowest possible prices.

The incredible economic growth of the United States, as well as of the discount stores, is primarily due to our private enterprise system with its emphasis on competition. The Supreme Court of the United States has set forth in concise language the underlying principles of this system:

The Sherman Act was designed to be a comprehensive charter of economic liberty aimed at preserving free and unfettered competition as the rule of trade. It rests on the premise that the unrestrained interaction of competitive forces will yield the best allocation of our economic resources, the lowest prices, the

*In accordance with the Foreign Agents Registration Act this witness supplied the Committee with materials related to his registration.

highest quality and the greatest material progress, while at the same time providing an environment conducive to the preservation of our democratic political and social institutions. But even were that premise open to question, the policy unequivocally laid down by the Act is competition.

Informed observers of the economic scene credit the discount department store industry with living up fully to the spirit of our competitive enterprise system. Pulitzer Prize winning newsman, Louis M. Kohlmeier, Jr., said in his best-selling book "The Regulators," published in 1969 by Harper & Row (Library of Congress catalog card No. 69-15314), and I quote:

"The most impressive evidence of the continuing vitality of competition probably is the rise of discount-house retailing since World War II. Principally by engaging in cut-throat price competition, discount houses have revolutionized department store and drugstore retailing, and consumers have been the beneficiaries."

Discount stores have been successful in the competitive process partly because of their ability to import quality products from abroad. Yet, at the same time, we purchase for resale many billions of dollars of domestic products and compete for the consumer dollar through efficient, imaginative and modern marketing techniques, making it possible for us to maintain low prices in both cases. The consumer, as Mr. Kohlmeier astutely observes, is indeed the beneficiary.

Today, however, the very principle which has made our country economically the strongest in the world and which has facilitated immeasurably the growth of the discount department stores would be stifled by those with a provincial or regional rather than a national or international outlook. The proposed trade bill which this Committee is currently considering is harmful to all consumers and particularly to wage earners and others with fixed income. Restrictions on the importation of textiles, shoes and various products coming within the escape clause formula also are harmful to all discount department stores everywhere in the United States. Discount stores will suffer incalculable economic injury because of their inability to compete with traditional department stores for the limited amount of foreign products which would be available under the quota provisions of the proposed trade bill.

Furthermore, these restrictions will inevitably evoke retaliatory measures by other countries.

At stake now is the nation's economic health. The United States' supply of gold—our source of credit in the world—is dwindling at a scary rate: down almost 60 per cent since 1950.

Military spending, foreign aid and tourism are the chief causes of the drain. The only bright spot in this dismal and dangerous picture is America's balance of foreign trade. Consistently since 1950 we have exported an average of almost $4.5 billion a year more than we imported.

Even at this moment we sell abroad more than we buy.

Should the United States impose quotas on foreign-made goods, either selectively or on a general basis, other nations would retaliate by barring entry of American goods. This would seriously weaken one of our last and most important sources of income from abroad. It could trigger a serious economic crisis. Faith in our good credit would be severely shaken and our leadership reputation tarnished.

While it is difficult to envisage precisely the chain reaction of this proposed protectionist-oriented legislation, we may reasonably assume that it will invite a specific response from Japan, from the European Economic Community and from other political or economic entities.

The multiplier effect of this myopic protectionist legislation will create a devastating and needless trade war which will surely impair severely the economic well-being not only of Americans (including even the shortsighted regionalists instigating this repressive legislation) but of other peoples throughout the world, including those living in under-developed areas who can least afford it and who come again and again to knock on our door for foreign aid—for money collected from taxpayers.

MRI members believe that there are legitimate ways of coping with economic injuries sustained by domestic companies in the forum of world competition. If such companies can establish economic hardship because of trade expansion policies, legislation should be enacted (if existing legislation is inadequate) to provide them with appropriate assistance for competing more effectively or for allocating their resources, including manpower, to other industries. It is a matter of record that few, if any, industries would step forward able to prove economic injury because of imports.

For example, the lead article in *The Wall Street Journal* of July 29, 1970, quotes textile manufacturers to the effect that competition from imports.

"* * * is only one of a fast-growing list of woes facing manufacturers in the $22 billion-dollar-a-year industry. These problems, which include antiquated management, a shortage of capital funds and serious labor difficulties are threatening to keep the attrition rate of textile plants at a high level for years to come.

"This business has got to go through an additional shake-out,' says Hugh William Close, Chairman of Spring Mills, Inc. 'There must be a lot fewer companies before the industry can be efficient.' "

In the same article, *The Wall Street Journal* goes on to pinpoint other problems that gravely affect the industry:

"Some observers insist that the troubles of textile makers aren't caused by imports or labor problems but by shortsighted, old-fashioned management. 'Management is just not seeing over the next hump,' says one financial analyst. 'Everyone's 60 years old. There is no balance provided by younger men.'

"Rejuvination of top leadership was one reason cited for a management shake-up early this year at Bibb Manufacturing Company, Macon, Georgia, . . . Most of the top brass, including the president, were replaced."

"Observers charge textile concerns with paying out too much in dividends and not putting enough into modernizing plants. 'The industry could live with imports and inflation if it hadn't been paying such enormous dividends,'. . .

It is clear that imports are ancillary to a great many really serious problems facing certain domestic industries. To apply protectionist legislation in the face of the cited facts is comparable to assaulting an annoying insect with a nuclear weapon that is likely to hurt as well the weapon's wielder.

The discount department store industry's fortune is staked on our ability to bring high quality goods at low prices to people of this nation. It looks to our Government for the preservation of the free and competitive enterprise system that makes its successes possible.

That this country has not been completely successful in persuading other nations to accelerate removal of restrictive trade practices is no justification whatsoever for this great country to step backwards—and to drag other countries as well—into the economic dark ages. Rather, it should redouble its efforts as a world leader, to encourage others to liberalize their trade policies at a more accelerated pace.

This is a typical American challenge. Acceptance of it would constitute a laudable act of national and international statesmanship for the improvement of man's economic well-being.

Thank you.

Statement Submitted for the Duval Corporation by W. DeVier Pierson, Counsel

THE SULPHUR IMPORT PROBLEM

This statement is submitted to the Senate Committee on Finance on behalf of Duval Corporation, ("Duval") a subsidiary of Pennzoil United, Inc., in connection with the Committee's consideration of H.R. 18970, the Trade Act of 1970, and related trade legislation. Duval is active in the production of sulphur and other minerals in the United States. Duval, like other United States primary sulphur producers, believes this Committee should be aware of the major crisis facing the domestic sulphur industry.

A summary of the problem is as follows:

(1) A healthy domestic sulphur industry is vital to the national interest.

(2) Sulphur is being produced in Canada as a co-product of natural gas in amounts far in excess of current demand. Such Canadian sulphur production has resulted in serious oversupply.

(3) Canadian sulphur is now being imported into the United States and sold at a price which represents less than a fair allocation of the cost of its production.

(4) These unreasonably low priced sulphur imports are causing serious injury to the United States sulphur industry and threaten the viability of the domestic industry.

(5) Destruction of the Unitel States sulphur industry would pose severe risks to domestic sulphur consumers by eliminating dependable sources of supply.

(6) Unreasonably low pricing of sulphur imports will severely retard air pollution control efforts by making sulphur recovery resulting from the consumption of basic fuels and from other industrial processes less feasible.

(7) Legislation is necessary to require that the marketing of sulphur be conducted on a fair competitive basis in order to prevent the destruction of the United States industry.

1. A healty domestic sulphur industry is vital to the national interest

The preservation of a strong and healthy domestic sulphur industry is in the national interest. Sulphur is one of the five basic raw materials of the chemical industry. The United States consumes more than 100 pounds of sulphur per person annually in the form of fertilizers, chemicals, additives to metal products. and other items, many of which have vital strategic importance. Far more sulphur is consumed each year than such basic metals as aluminum, copper, lead, zinc or nickel.

U.S. sulphur producers utilize principally what is known as the Frasch process. Elemental sulphur is extracted from sedimentary deposits by injection of superheated water into the deposits of elemental sulphur so that the sulphur is melted and brought to the surface in molten form.

From the standpoint of cost of production, the Frasch method is the world's most efficient and economic method of sulphur recovery.

Domestic sulphur users need United States Frasch production to provide a dependable source of supply at reasonable prices. While legitimate trade in sulphur is to be encouraged, it would be contrary to the United States national interest if predatory trade practices were allowed to cause substantial injury or destruction to this important domestic industry.

2. Sulphur is being produced in Canada as a co-product of natural gas in amounts far in excess of current demand. Such Canadian sulphur production has resulted in serious oversupply

Sulphur is now being recovered in Canada under circumstances and at a rate wholly unrelated to sulphur demand. Enormous quantities of sulphur are being recovered as a co-product from the development of natural gas reservoirs. The sulphur is produced in conjunction with the gas and condensate found in the same reservoir and stream and is, therefore, produced as the gas is produced. This rate of production has been accelerated by the development of several large known reservoirs of "sour gas" in Alberta. Such development has been made possible by the strong demand in the United States for the associated natural gas.

As a consequence of this production, a critical oversupply of sulphur has been created. Canadian sulphur production in 1969 was approximately 3.7 million tons. It is estimated that Canadian sulphur production will be more than 7 million tons by 1972 and will exceed United States production of 8.6 million tons by 1973.

It should be stressed that recovery of sulphur from "sour gas" is *not* the most efficient or economical means of sulphur production. The actual cost of producing sulphur in this manner exceeds the cost of United States Frasch production. But, since demand for Canadian natural gas has remained strong and attractive prices have prevailed, it is economically feasible to recover both products.

3. Canadian sulphur is now being imported into the United States at a price which represents less than a fair allocation of the cost of its production

Ordinarily, in periods of oversupply, producers of sulphur recovered as a coproduct, such as the Canadian producers, will stockpile on the ground the sulphur which cannot be marketed. The material does not deteriorate physically and no storage costs of consequence are involved. In this way, supply-demand imbalances are smoothed out and sulphur is available when needed. This was the action the Alberta producers had followed in the last period of temporary oversupply occasioned by the development of new mines in Mexico in 1962–64.

However, the Canadian producers have now elected to dump as much of the sulphur as possible in the United States and in other markets by selling at the unreasonably low prices required to unload the enormous quantities of sulphur recovered by them. They are able to do so because the associated gas and condensate can be marketed at progressively higher levels through export sales to the United States. Thus, natural gas prices are subsidizing below-cost pricing of sulphur.

Since the profit on the gas and condensate is sufficient to offset the loss on the sulphur, the transaction is still profitable. However, the United States consumer of gas is forced to pay a price for Canadian gas which is far in excess of the price that would result is the usual standards for cost of service were applied. This price subsidy paid by United States consumers for Canadian gas is then used by the same producers to subsidize their exploitation and capture of sulphur markets in the United States and abroad which have traditionally been supplied by the more efficient United States Frasch producers. Thus, United States consumers pay the cost of displacing their own sulphur production not only from domestic markets but also from world markets.

As a result of these marketing policies, Alberta sulphur is now quoted at $10 per ton f.o.b. the producing point, about one-third of the price prevailing at the beginning of 1969. In many instances, however, it is believed that Canadian sulphur has been sold at $5.00 or less per ton f.o.b. the plant. While production costs vary from reservoir to reservoir, dependent on the sulphur-gas ratio, it is quite clear that these prices recover only a fraction of the cost of production of the sulphur on any reasonable basis of allocating or determining that cost.

4. These below-cost sulphur imports are causing serious injury to the United States sulphur industry and threaten the viability of the domestic industry

As a direct result of the marketing policies of large Alberta producers, a number of mines in the United States have been forced to cease or suspend operations. Freeport Sulphur Company had to suspend operations at its Caminada mine (built in 1967 at a cost of $25,000,000). Duval Corporation ceased operations at its Orchard Dome property near Houston, and shut down its Ft. Stockton, Texas, property, which had been in production less than two years. Smaller companies have fared even worse. Whether or not these properties may be economically reactivated in the future is problematical. The loss of revenues to United States producers *in 1970 alone* will be at least $100,000,000. This loss has contributed significantly to the deterioration of the United States balance of payments position.

In addition, below cost sales of Canadian sulphur have frustrated the development of new domestic production. For example, the offshore areas of the Gulf of Mexico are highly prospective for sulphur, but it is doubtful that there will be any development of these potential resources at this time. This may represent a loss of income to the United States both in lease bonuses and sulphur royalties. Similarly, prospective areas in Western and other states will now receive scant attention.

Present estimates indicate that Alberta sulphur production will grow from the present rate of 4–5 million tons annually to as much as 7–8 million tons annually by 1976–8. If the same marketing polices and practices continue unabated, sales from Alberta could ultimately elminate all primary sulphur producers in the United States, incuding the most efficient.

It must be emphasized that this is not normal, legitimate import competition. A primary producer of sulphur, no matter how efficient and economical its operations may be, cannot compete with a producer who is in a position to sell the same product without regard to cost. The United States sulphur industry simply cannot compete at the below-cost levels of Canadian imports without reaching a point where operations can no longer be continued.

5. Destruction of the United States sulphur industry would pose severe risks to domestic sulphur consumers by eliminating dependable sources of supply

At first blush, it might appear that lower sulphur prices would confer an economic benefit on sulphur users by reducing the cost of these raw materials. A closer analysis reveals that this is not the case. Rather than benefiting sulphur users, the low prices—with the resulting injury to the United States Frasch producers—create new and unwanted risks for sulphur consumers in the United States and elsewhere.

Continuation of sulphur imports at below-cost prices will bring further sharp reductions in United States Frasch production and will cause a severe deterioration of the domestic industry. Exploration for additional sulphur deposits will cease. As a result, United States sulphur users will be largely dependent upon a foreign source of supply which is not responsive to the natural demand of those users. Moreover, the Alberta resources are not limitless. The United States consumer could find himself, after a period of glut for several years, in another period of scarcity where his only major source of supply would be from the declining Alberta reserves. At that point, United States sulphur users will be faced with another cycle of short-supply and fluctuating prices.

As early as the latter part of 1969, these developments were anticipated by one of the most respected industry publications ("Sulphur," a publication of the British Sulphur Corp. Ltd.) which noted:

"Pressure of excessive world supplies, notably of Canadian recovered sulphur has caused a further drop in the level of world brimstone prices . . . Major consumers view these price developments with some unease. Their main concern is the procurement of their sulphur requirements at a cost no higher than that paid by their end-product competitors rather than at the lowest market price. In this respect the long-term assurance of supplies, the ability to seek supplies from alernative viable sources and price stability in relation to the substantial capital investments which new large-capacity plants entail, appear to be the criteria to which the large brimstone buyers attached prime importance."

The report concludes:

"At the new price levels producers' net realizations will be reduced to the point when some individual mines will be at their limit of profitability. By contrast, the producers of recovered sulphur, notably those in Western Canada, whose profitability rests primarily on the value of gas and condensates, do not have the same constraints as the primary producers of sulphur. This ability to use the price weapon as a means of securing a share of the market in a period of oversupply is without doubt the most disturbing factor to consumers and competing producers alike, especially as there is no valid yardstick to what floor prices could decline. Were prices to decline past the point where primary producers, notably the established suppliers of Frasch sulphur, were unable or unwilling to maintain mines in production, the options on alternative sources of supply available to consumers throughout the world would be narrowed and the risk of wide price fluctuations would commensurately increase."

6. Below-cost pricing of sulphur imports will severely retard air pollution control efforts by making sulphur recovery resulting from the consumption of basic fuels and from other industrial processes less feasible

Small quantities of sulphur are contained in such basic fuels as coal and oil. It is also found in conjunction with a number of metals such as iron and copper. When these fuels are burned or the metals are processed, the sulphur in the stack gases constitutes a major source of air pollution. Recovery of the small amounts of sulphur found in these gases is difficult and expensive. The cost of eliminating this source of air pollution is directly related to the price obtainable for the recovered sulphur or the sulphuric acid. As stated in a recent news item:

"Whether or not an electric plant using the combustor would be less expensive to operate than conventional plants would depend upon the market price of sulphur, which varies widely from year to year." (Associated Press, July 8, 1970.)

Of course, manufacturers will be required to meet all air pollution control standards for sulphur emission. They cannot elect either to pollute or not pollute. But, the value of recovered sulphur is a factor which determines whether prices to consumers would have to be substantially increased in order for the plants to continue operations after meeting these pollution control requirements.

7. Legislation is necessary to require that the marketing sulphur trade be conducted on a fair competitive basis in order to prevent the destruction of the United States industry

We stress again that the sulphur industry does not fear import competition resulting from more efficient production abroad. The United States producer has for many years competed effectively in world markets—without benefit of import quotas, tariffs, or other trade assistance—and could continue to do so if foreign producers were not able to import sulphur at prices well below their cost of production.

Unfortunately, as a result of present import practices, legislation is necessary to put Canadian and United States producers on a competitive footing by preventing predatory, below-cost pricing of those imports.

We support H.R. 18970, the Trade Act of 1970. The various provisions of that Act—tariff adjustment, improvement of procedures under the Anti-dumping Act of 1921, broadening of the countervailing duty statute, extension of Section 252 of the Trade Expansion Act—are wise and needed improvements. To the extent that those various provisions offer remedies for individual trade violations and relief from the injury resulting from these imports, the sulphur industry would make prompt use of the new statutory authority.

We are also grateful to the Chairman of this Committee, Senator Russell Long, for the introduction of S. 4075, a bill to provide for limitations on the importation of sulphur by the establishment of import quotas at the 1965–67 level. The introduction of this bill has focused attention on the severity of the problem faced by the sulphur industry. Its enactment would ensure that below-cost imports could not capture the entire U.S. market.

In addition, we urge the committee to include in the pending trade legislation provisions to proscribe destructive import practices and to require trade in such products as sulphur to be conducted on a legitimate basis. Existing statutory authority with respect to import practices should be broadened to include the following:

(1) Imports offered at prices which represent less than the cost of production of the imported product should not be permitted to enter the United States at the below-cost price.

(2) In cases where two or more products are recovered or manufactured from the same process, there must be a fair cost allocation between those products in calculation of cost of production.

(3) Procedures should be established which would empower the appropriate government agency, upon a finding of below-cost imports and substantial injury to a U.S. industry resuling from those imports, to impose a duty on the imported article at a level sufficient to bring the resulting price of that article to an amount equal to the cost of is production plus a fair return on the producer's investment.

We urge the committee to give careful attention to these proposals and to include them as part of the trade legislation repored by the committee.

STATEMENT OF GENERAL ELECTRIC CO., SUBMITTED BY THEODORE F. T. CROLIUS

General Electric Company, 570 Lexington Avenue, New York City, New York, submits this statement for inclusion in the record of Committee hearings on H.R. 18970, the Trade Act of 1970, as reported by the Committee on Ways and Means on August 31, 1970.

General Electric endorses the principles of expanded, liberalized international trade set forth by President Nixon in his November 18, 1969 message to the Congress and by Administration officials in their testimony before the Congress this year. Over the last decade General Electric has consistently supported legislation and Executive action aimed at reciprocal cpening of markets and elimination of non-tariff barriers among the trading nations. We do so again in 1970—this time with an increased sense of urgency.

General Electric believes that certain provisions of H.R. 18970 give significant and necessary legislative support for a U.S. trade policy committed to fair and free international trade. Accordingly, we endorse, with certain qualifying comments, the following sections of H.R. 18970:

TITLE I—AMENDMENTS TO THE TRADE EXPANSION ACT OF 1962

Sec. 103. Foreign Import Restrictions and Discriminatory Acts

Section 103 amends Section 252 of the Trade Expansion Act of 1962(a) to broaden the President's authority and mandate to move against unjustifiable and unreasonable foreign import restrictions on U.S. products, both agricultural and industrial; and (b) to supplement the countervailing duty remedy by requiring the President to move against foreign government subsidies or other incentives to exports to third-country markets.

These amendments are needed and overdue. They resurrect Section 252 from 8-year oblivion and sharpen it to the point where it can *and must* be asserted against those foreign non-tariff restrictions and discriminatory acts which substantially inhibit U.S. exports and distort international trade patterns.

One such foreign non-tariff restriction is particularly detrimental, not only to the American heavy electrical equipment manufacturing industry, including General Electric, but equally so to the national interest in a favorable balance of trade and U.S. technological leadership in a basic energy industry.

We refer to the nationalistic procurement policies and practices of foreign governments in industrial Europe which (a) exclude U.S. electrical equipment from these governments' home markets, and (b) at the same time, encourage low-priced foreign exports of such equipment into the open U.S. market.

Our concern is long standing. Since 1964, General Electric and other members of the domestic heavy electrical equipment industry have appeared before the Congress and made numerous presentations to Executive Departments and agencies to spell out the details and competitive consequences of foreign government exclusionary proucrement practices. We have pointed out that many foreign manufacturers of steam turbine-generators, power transformers and power circuit breakers—the high-technology backbone equipment of any nation's electrical energy system—enjoy protected home markets, insulated from outside competition. As a result, these foreign manufacturers consistently pursue a market strategy of dual pricing: selling high at home and low to U.S. Federal power agencies and private utilities.

Here is a non-tariff barrier of classic proportions. Its consequences should be of concern to all government officials and agencies charged with responsibility for U.S. trade, economic, and technology policy.

Not only does this restrictive practice foreclose the U.S. industry from export sales of utility equipment into most of industrial Europe, but, perhaps more important, it enables European manufacturers, by incremental and, in effect, subsidized export pricing to seize an ever-increasing share of the U.S. market. And most important of all, this U.S. market is where world technological leadership in the generation and transmission of electrical energy will be decided—and indeed is now being decided. It should be of concern to the Congress and to the Executive branch that foreign suppliers of EHV transmission equipment, the most advanced transformers and circuit breakers in the world today, have already captured a substantial segment of the Federal power agency market (TVA, Bonneville Power Administration and the Bureau of Reclamation). Nor is foreign market penetration in this equipment confined to the Federal agencies. In the last three years foreign manufacturers have increasingly taken large orders from U.S. private utilities, the most dramatic instance involving a French manufacturer who is supplying 19 out of 21 of the only 765 KV power circuit breakers yet ordered in this country.

General Electric believes that unless and until foreign government procurement policies are changed to permit U.S. manufacturers of heavy electrical equipment an opportunity to compete fairly in foreign markets the present one-way street into this country should be closed down. Accordingly, we have asked the Executive branch, in numerous presentations and meetings with trade and procurement officials, to adopt what is, in effect, a moratorium on the purchase of foreign manufactured EHV power transmission equipment for so long as such exclusionary devices are practiced by foreign countries and foreign producers. Specifically, we believe that U.S. trade and procurement officials should make a determination—now and for the immediate future—that:

1. The U.S. commitment to expanded reciprocal international trade is best served by affirmative action against the present one-way street in the international trade of heavy electrical equipment with most of industrial Europe, and
2. in the national interest, U.S. capabilities in the most technologically advanced of this equipment should be actively encouraged by the Federal power agencies.

These policy determinations could be implemented by one or both of the following courses of action:

1. Adoption of an effective Buy-American differential—such as 50%—for foreign-made EHV power transmission equipment and advanced generation equipment. A differential of this magnitude is required to balance the various advantages available to various foreign manufacturers.

2. Determination on a case-by-case basis that it is in the best interests of the United States for Federal power agencies to procure such equipment from domestic suppliers.

Not only would the foregoing have a significantly favorable effect on the U.S. balance of payments, it would also help to induce foreign governments to abandon their nationalistic procurement practices, promote bona fide worldwide competition for this equipment, and provide U.S. negotiators with an additional position of strength in their negotiations in OECD and GATT to remove existing non-tariff barriers.

We ask that Congress give full backing to our request for relief. This Committee's consideration of amendment of Section 252 of the Trade Expansion Act offers an excellent opportunity to do so, for Section 252 is aimed directly at unjustifiable and unreasonable foreign import restrictions and other discriminatory acts.

Specifically, we believe that this Committee could either—

1. amend Section 252(a)(3) expressly to provide that an "unjustifiable foreign import restriction" shall be deemed to include exclusion of bids of U.S. suppliers from procurement of products purchased for purposes of a foreign government or a foreign government owned or controlled entity; or
2. state explicitly in the Committee Report that the Committee regards foreign nationalistic procurement policies and practices with respect to U.S. heavy electrical equipment as being "unreasonable import restrictions which substantially burden U.S. commerce," against which the President shall promptly move by imposing reciprocal import restrictions.

We also request the Committee to recommend to the Executive branch that it make the policy determinations, and take the implementing actions, set forth on page 5 herein, with respect to a Buy-American differential or a case-by-case domestic set-aside.

TITLE III—OTHER TARIFF AND TRADE PROVISIONS

Sec. 301. Antidumping Act of 1921

General Electric endorses amendment of Section 201(b) of the Antidumping Act of 1921 to fix a maximum time limit within which the Secretary of the Treasury must determine the question of likely sales at less than fair value and publish notice of withholding of appraisement.

To the extent that unfair foreign competition, when it is found to exist, can be more timely disciplined, U.S. trade policy is well served. In this connection, however, we believe that the Congress should ensure, through the authorization and appropriation process, that the Bureau of Customs is given the funds to staff adequately and competently in order to carry out its statutory mandate.

Sec. 302. Countervailing Duties

General Electric endorses amendment of Section 303 of the Tariff Act of 1930 to fix a time limit of 12 months within which the Secretary of the Treasury must determine whether any foreign bounty or grant is being paid or bestowed on products imported into the U.S.

Our support is based on the same consideration of timeliness cited in the previous section; and we make the same observation with respect to the need for sufficient funds for the Department to carry out the intent of this amendment.

TITLE IV—DOMESTIC INTERNATIONAL SALES CORPORATION

General Electric endorses DISC as one of several desirable steps toward freeing U.S. foreign business from impedments not suffered by foreign competitors.

We believe the proposals would be more useful if there were three technical amendments:

1. making the DISC rules on deferment of tax completely parallel to the rules governing deferment of tax on the earnings of foreign manufacturing subsidiaries;
2. improving the assurances against disqualifying audit adjustments of DISC income or deductions under sections 61, 269, 482, etc.; and
3. reducing to a minimum the organizational changes necessary to maintain the separate corporate existence of a DISC.

STATEMENT OF BEN E. NUTTER, EXECUTIVE DIRECTOR, PORT OF OAKLAND, OAKLAND, CALIF.

Mr. Chairman and members of the Committee on Finance: Thank you for the opportunity to permit the Port of Oakland to make known its views regarding the Trade Bill now before your committee, commonly known as the Trade Act of 1970.

The Port of Oakland is strongly opposed to the passage of this bill. Our analysis of its provisions show that it is a "protectionist' form of legislation, as it contains numerous quota regulations on imports. The establishment of quotas, such as those contained in the Trade Act, is a complete turn-around of United States foreign trade policy, and is sure to have an irreparable effect on the posture of the United States as an advocate and promoter of world trade. The enactment of this legislation would seriously affect the efforts of United States industry to develop export trade, because of the obvious retaliatory measures that would be taken by other countries.

The supporters of this trade act and those who favor an expansion of import quotas state that increased imports have resulted in a reduction in production workers jobs and wages. However, we want to point out that an increase in world trade has had a beneficial effect on the growth and prosperity of the California economy. World trade and waterborne commerce has a tremendous impact on a growing number of people who are dependent on this section of our economy for their livelihood. For example, the Port of Oakland completed a survey in September, 1970, which showed that as many as 60,928 jobs in the Oakland, San Francisco, Sacramento and Stockton area are directly attributed to the activity of the ports. These jobs include labor forces, such as longshoremen, stevedores and warehousemen. Additionally, employees of steamship companies and agents, ship construction and repair, and related businesses which include marine insurance, banking, freight forwarders, custom house brokers and maritime equipment suppliers are all dependent on the continuing level of world trade through Northern California ports. Certainly, these people and their contribution to our national economy cannot be overlooked.

Finally, we are concerned that the bill has been made a part of other non-related legislation. We feel that extensive public hearings should be held so that all concerned can make their views known. We feel the bill has changed considerably from its original content.

The viewpoints expressed in this statement reflect the position of the Port of Oakland, supported by a resolution adopted by the Board of Port Commissioners on September 23, 1970, which opposed the passage of H.R. 18970.

Statement of the Los Angeles Area Chamber of Commerce, Los Angeles, Calif., Submitted by Wm. O. Simpson, Jr., President

The Los Angeles Area Chamber of Commerce greatly appreciates the opportunity afforded by the Committee on Finance, to present this statement in lieu of oral testimony, on the Trade Bill provisions tentatively added by the Committee to the Social Security/Welfare Bills, and the related House Bill, H.R. 18970, the proposed Trade Act of 1970, to amend the tariff and trade laws of the United States and for other purposes.

The Los Angeles Area Chamber of Commerce is an organization having over 4,000 members in five counties in Southern California. Its members include importers, exporters, steamship companies, airlines, banks having international departments, insurers, bonding companies, attorneys, custom house brokers, freight forwarders, and others engaged in international trade and related industries. Its members also include many firms engaged in agricultural pursuits and in manufacturing and production for domestic sale and for export of many varied products produced in Southern California. Statistics on the volume of international trade transacted through West Coast ports indicate that Southern California accounts for 46% of the total West Coast trade in imports, and over 33% of the total West Coast trade in exports. In 1968, imports and exports flowing through California ports were valued over $6 billion. The Los Angeles Customs District collected over $236 million in Customs duties in 1968, ranking second only to New York Seaport in production of revenue from Customs duties.

Realizing that international trade is one of the economic mainstays of the Southern California area, and the importance of the export market for agricultural and industrial production of our State, the Los Angeles Area Chamber of Commerce has long maintained a policy of supporting freer trade among nations. Its Directors are opposed to any Congressional action which would have the effect of reducing or eliminating the obvious benefits derived from international business, both import and export.

Our Board of Directors is unanimous in its opposition to textile and footwear quota legislation, because it is our confirmed belief that placing such non-tariff barriers on imported products will serve only to touch off severe foreign retaliation for our exportable goods.

The proposed Trade Bill would reverse the 35-year trade pattern under which this country has prospered. Retaliation of other countries for the imposition of restrictive quotas would strike directly at California's primary trading partners.

Japan is the recipient of one-third of California's exports. Its growing economy and dependence on imported foodstuffs and agricultural raw materials will increasingly benefit California growers and exporters, unless this trade is interrupted by the imposition of quotas by our government. The Philippines, Hong Kong, India, The Republic of Korea, Malaysia, and Taiwan, together with Japan, represent more than one-half of California's total export market. Imposition of quotas would disrupt their economies, and would most surely result in retaliation by these governments, which would adversely affect California's most important industries. The overall effect would be to reverse the trade activity which has provided this State with a substantial number of jobs, increasing income, and greater economic growth. In fact, no single issue could so damage U.S. ties with so many foreign countries as the possible imposition of quotas.

Further, the proposed legislation fails to spell out the manner in which the proposed quotas would be handled administratively. This creates grave administrative problems for which no guidelines are provided by Congress. Quotas would freeze trade into present channels, if quotas are allocated on a historical basis, precluding newer companies from sharing in the market. Bargaining in quota rights would lead to profiteering and result in loss of revenue to the U.S.

Increased restrictions on imports would also create upward pressures on domestic prices, contributing to the inflationary forces now plaguing our economy. A further inflationary trend caused by quota limitations on imports would create undue hardships for the American consumer, particularly in the lower level of the economic spectrum. This adverse effect on the American consumer is unwarranted by the benefit which quotas would grant to particular special interests.

The Los Angeles Area Chamber of Commerce, therefore, strongly urges the Senate Committee on Finance to carefully reconsider the attachment of the proposed Trade Bill provisions to the Social Security/Welfare Bills. We further urge that the Senate Finance Committee reject the Trade Bill in favor of President Nixon's Trade Act of 1969, inasmuch as H.R. 18970 is inimical to the interests of the U.S. economy and that President Nixon's Bill is geared to expand international trade; that a full opportunity should be afforded to the many interests desiring to express views with respect to the Trade Bill; that careful and complete consideration should be given to the proposed textile and footwear quota provisions, because enactment of such quotas would cause irreparable harm to the U.S. industry, to labor, and to the U.S. consumer; and that these clearly predictable results should be avoided as unduly restrictive and harmful to the U.S. economy. We, therefore, urge that further consideration of the effects of such far-reaching legislation should be postponed until the next Congress, when more full and complete consideration can be given to the effects of its enactment.

Statement in Behalf of the Cordage Institute of the United States Concerning the Effect of Imports on That Portion of the American Textile Industry Producing Ropes and Twines

Introduction

The Cordage Institute, which is composed of practically all of the rope and twine producers of America, welcomes the opportunity to submit this statement to the Committee. We heartily support the efforts of members of this Committee to bring before the Senate the language contained in H.R. 18970, a bill dealing with the Trade problems of the United States. We are particularly concerned about that section dealing with Textiles. Along with other segments of the Textile Industry, we fully supported before the Ways and Means Committee the establishment of quotas on textile imports. As you know, that Committee accepted our position and included quotas in the bill which is presently before the House of Representatives. We sincerely hope that passage of this legislation will not be prevented by the time limitation with which this Congress is now faced. The legislation is urgently needed.

The Cordage Industry is a relatively small but important part of the Textile Industry. Cordage products have traditionally been included with other textile fibers and textile products for duty and customs treatment. Cordage products from both natural and man-made fibers are essential to various segments of our American industry and to the national security. Rope and cables for domestic maritime, industrial and business use, as well as farm twines and industrial twines are vital.

BACKGROUND

In viewing the problems facing the Cordage section of the Textile Industry certain general conditions must be recognized. In the past, cordage products have all been made from natural fibers. With the development of synthetic fibers for cordage use there has been a corresponding decrease in the size of the market for cordage produced from natural fibers. During this same period imports of cordage from natural fibers has markedly increased. From Exhibit "A" attached hereto, it will be seen that U.S. producers of cordage from natural fibers have a smaller and smaller percentage of a shrinking market. In the case of manila rope where the majority of imports are presently controlled by an absolute quota the domestic producers have managed to retain about 83% of the decreasing market. It is only here and in the field of cordage from man-made fibers that there still remains a substantial part of the market available to U.S. producers. However, imports of the latter are increasing at a most serious rate.

In the field of man-made fibers nearly all of the raw materials for cordage products are made and produced domestically. In the field of cordage made from natural fibers the raw material must be imported. The end products made from these natural fibers are so essential to our country in time of national emergency that the Government has maintained in the past and still continues to maintain a stockpile of natural fibers for the making of ropes and twines. During World War II the United States Cordage Industry along with the contiguous countries produced the tremendous quantity of rope and twine needed for the war effort. However, in 1945 there were 22 companies of the United States Cordage industry operating 23 mills producing cordage made from hard fibers. Shortly thereafter the imports of cordage products began to come into the United States in ever-increasing quantities. In part due to the continuing cheapness of labor in the foreign producing countries and, in the case of farm twines, the absence of duty of any kind, such imports grew at an alarming rate. The net effect has been that of these 22 companies with 23 mills in 1945 there are now only 10 companies operating 15 mills. Many of those have reduced their spinning capacity and all are operating at a greatly reduced level of production and sales. There is no question but that the number of mills being operated will be further reduced if the flooding of United States markets by low costs imports is allowed to continue. It is clear that the capacity of the industry to meet emergency requirements has been greatly reduced.

HARD FIBER ROPE EXPERIENCE

One way to note the effects of imports on the domestic production is to look at the production and imports record on hard fiber rope which is the category in which imports have had the least impact. Following the end of World War II and by 1955 imports of hard fiber ropes had reached a significant level. This upward trend has continued to increase and at the present time it constitutes a substantial part of the factors forcing American firms to go out of business.

Starting in about 1960 the growth in the use of synthetic fiber ropes in the United States reduced the market for hard fiber rope from 105,000,000 lbs. per year in 1955 to approximately 56,700,000 lbs. in 1969. This record leading to 1969 is not truly revealing because in 1966 and 1967 there were abnormal increases in demand for rope due to the need for hard fiber rope by the United States Government to meet the needs of the war in Vietnam. Even with this increased military fiber rope has declined over 47%. During that same period the imports of hard fiber rope into the United States increased from 7.6% to approximately 28.8% of the market. Obviously, the United States producers are now selling about 50% less of the market than they are selling in 1955. If it were not for the absolute quota of 6,000,000 lbs. per year on manila rope from the Philippines this percentage would be much greater. It is the presence of this quota that has retained a share of the market for domestic producers.

SYNTHETICS

In the case of synthetic fiber cordage the upward trend of imports is the same as the historical pattern for cordage from natural fibers. The American Cordage Industry pioneered the research in the use of synthetics for the production of rope and twine. It was hopeful that this new development would restore its position in the American Cordage market. However, foreign manufacturers are now producing and selling synthetic fiber ropes at a price level which will make it impossible for United States manufacturers to compete profitably and the Kennedy Round further complicated the problem by reducing the duties. Furthermore, we find significant quantities of cordage of braided construction up to 3 inches in diameter coming in at a much lower duty because it is called a braid. Identical rope of this type is produced domestically and indeed some countries properly import it as rope and pay the higher duty.

The upward trend in imports of synthetic cordage is best shown by reference to Department of Commerce report on imports, Technical Quarterly # 2310. This shows an increase from 28,000 pounds in 1965 to 294,000 in 1969 and the rate of increase is continuing to accelerate. The synthetic cordage which is coming in under the guise of braids at the lower duty does not appear in the cordage import statitistics. The parallel between this rate of increase and the historical rises of imports of cordage from natural fibers is strikingly plain to see.

WORLD WIDE PROBLEM

The time is long past when we could have retained a substantial part of the U.S. market for U.S. producers of cordage from natural fibers, and even the pending legislation offers little or no help. However, there is still time to save some of the market for cordage made from man-made fibers and the survival of the Industry will depend on this single fact.

The Congress must now weigh the facts of our economic viability against the purported benefits of a free trade policy and act accordingly if it is to help this industry retain some part of the domestic market which is still available to domestic producers.

The other nations of the world have traditionally recognized such economic facts and have taken steps to retain their domestic markets for domestic producers. The only resource left to the Textile Industry is the Congress for all efforts of the Executive Branch have proven fruitless. Further, the Administration's concentration on imports from Japan overlooks the fact that Japan is just one of the many countries contributing to the steadily growing flood of cordage and other textiles into the United States. There is attached hereto Exhibit "B" which shows the growth of imports of cordage from those countries which presently have more than 10% of the market. In addition, such countries as Brazil, Tanzania, and Mozambique are rapidly increasing their imports. It will be noted that cordage imports from Mexico, Netherlands, Portugal and many other countries are of equal or greater importance than those from Japan. From the standpoint of cordage it is only in the field of man-made fiber products that Japan presently poses the greater threat although Western European production is rapidly increasing. It is from these facts that we believe a control of imports from all countries is the only feasible method by which a part of our domestic markets can be retained for domestic producers.

IMPACT ON NATIONAL SECURITY

The effects of the continued decline in American production is bringing about a corresponding decrease in the spinning capacity for rope and twine. This is not only bad for industry but importantly it will make it impossible for the United States to produce its requirements in the event of national emergency. In world War II the United States was able to increase is production almost three-fold in order to meet our requirements. This production with support from the contiguous foreign nations enabled us to meet our emergency needs. We wish that we could say that is the case today. Due to the reduced number of cordage companies and the decline in spinning capacity, we seriously doubt that today we have the mobilization base which would permit us to repeat our efforts of World War II. Certainly if the cordage industry continues to decline our country will be faced with an unacceptable risk of rope and twine shortage in the event of war. Unfortunately, this applies with equal force to Canada's ability, which is under the same pressure from imports, to expand its production of cordage products which further increases our vulnerability. Indeed, two out of five of the major mills in Canada have closed in the last year.

In other industries our country spends considerable sums and energy to assure that we will have an adequate mobilization base to meet our emergency requirements. In some cases, out-right subsidies and grants are used to keep a sufficient domestic mobilization base available. This has never been true in the cordage field. Yet, without cordage products the equipment made by such protected mobilization base facilities will not be available to our country in time of need.

Our industry only asks for the opportunity to continue its production in peacetime at a level which will insure its capacity to meet emergency requirements. Information on military requirements for cordage products in wars of various sizes is classified, and, therefore, is not available to our industry. Certain facts that are apparent as to the effects of the decrease in production capacity have been revealed from the current experiences of the Cordage Industry stemming from the relatively modest increase in demand for cordage for the Vietnam war. The military requirements have increased but, in relation to those of World War II, are not significant. Yet, due to the reduced capacity of our industry even this modest increase has caused problems for the domestic producers of rope to meet the increased military demand and at the same time to meet the increased demand of commercial users such as the shipping, construction and other industries which are involved in war-supporting activities.

It may be argued by some that with the industry's modern facilities some of the "twine" spinning plants have the capacity to be converted to the making of rope. Practically this is not true for most of the major twine producers do not have rope-making equipment. Furthermore, the same emergency pressures that would require increased production of rope for military use would result in a marked increase in the demand for farm twines to meet the new emergency requirements. The twine spinning capacity will simply not be available for the spinning of rope.

Over the years, the Cordage Institute has endeavored, on national security grounds, to obtain the relief provided in the Reciprocal Trade Act to bring about the establishment of quotas to help maintain the production capacity of the Cordage Industry. Unfortunately the predictions made by the industry over the years as to the decline in spinning capacity which would result if something was not done to control imports have proven to be accurate. The Office of Emergency Preparedness which administers this section has been so impressed by the neverchanging opposition to the establishment of quotas by the foreign countries expressed through our State Department and by the exponents of "free-trade" that such petitions have always been rejected. Since the present law has not resulted in the maintenance of spinning capacity is it reasonable that the Congress now re-evaluate the national security as well as the economic implications of the increased imports and establish a firm base to insure the continuance of the spinning capacity.

AGRICULTURAL TWINE EXAMPLE

The reduction in farm twine spinning capacity is the best example to demonstrate the effects of imports. In 1950, the year in which farm twines were made duty free, there were 15 companies in the United States producing such twines. One by one they gave up the production of farm twines until at the present time one company is producing over 99% of the domestically produced hard fiber farm twines. Today, the International Harvester plant in New Orleans is, in effect, the sole commercial producer of farm twines and within the last six months it has materially curtailed operations. Imports now supply 88.8% of the domestic market. The future availability of the Harvester plant will depend entirely on its ability to retain some part of our domestic market.

SUGGESTED AMENDMENT

We have only one suggestion as to how the bill should be amended. We feel strongly that imports should be permitted to share in the growth of the domestic market. However, the way the bill is now drawn, it establishes a quantitative quota based on the years 1967 through 1969. The President is authorized to increase the "previous" year's imports by 5% each year. This formula establishes a geometrical progression of increase which could eventually approach 100% of the market. Furthermore, if the market declines, the quantitative amount established by the base years becomes a larger percentage of the market.

We believe the base years should establish the percentage imports bear to the domestic market for those years. For subsequent years, this same percentage should be applied against the estimated domestic market to establish the quotas for that year.

Accordingly, we recommend that the language of H.R. 18970 be amended as follows: On Page 29, line 3, after "1971" strike all language in Section 201b(1) and Section 201b(2) and insert in lieu thereof the following:

"* * * shall be determined by the following method.

(A) the average annual quantity of imports established by Section 201(a) shall be divided by the average annual consumption of the same categories during the base years used in that subsection;

(B) The percentages established by (A) above shall be applied against the estimated consumption for each following calendar year as established by the Secretary of Commerce and a quota determined for each category; and

(C) Each importing country may enter during each such following year the quantity for each category which bears the same relationship to consumption as was established for the purposes of Section 201(a)."

QUOTAS ALREADY EXIST

While there is a great hue and cry from some when the question of quotas is raised, there is nothing new in U.S. quotas being established for many purposes. For example, oil quotas, sugar quotas and even quotas on some cordage items are in existence today. In 1954 the Congress established a workable format in controlling certain cordage imports by ratifying the Laurel-Langley Treaty with the Philippines. Interestingly enough this quota system assisted the Philippines by assuring them a segment of the United States cordage market and at the same time limited the amount of such imports by establishing a fixed quantitative quota on imports from the Philippines. As pointed out earlier the presence of this absolute quota has permitted domestic producers to maintain at least a small share of the domestic market for hard fiber ropes. Those who object to quantitative limitations overlook the fact that quotas are both a help to the foreign producers as well as protection to the United States producers. The Trade Bill if enacted will provide badly needed relief for the producers of textiles and shoes in a manner consistent with existing precedents in our country.

We are aware of the theoretical position advanced by many that no restrictions should be placed on imports into the United States in any field. However, we believe that such a broad position, which on the surface any normal businessman might be inclined to support, must be examined in the light of special situations. We in the Cordage Industry are doing all that we can through research and improved efficiency to remain competitive. If those efforts on which much energy and considerable funds have been and are being spent had proven effective we would not be asking for help from the Congress. However, the record clearly shows that our continuing efforts are not sufficient to meet the price levels at which foreign cordage manufacturers can sell in the U.S. markets, and therefore, other relief must be found. To us it is only reasonable that this relief take the form of Congressional action to assure that a fair share of the United States market be kept available for domestic producers. In the past this is the only type of assistance that has been meaningful in improving the position of American producers.

RESTRICTIONS BY OTHER NATIONS

Much has been made by Administration spokesmen and by those interested in promoting foreign trade of the fear that for the United States to impose any restrictions would be to invite retaliation against our exporters. While the genesis of these arguments is understood, they leave the impression that such restrictive actions would be unique to the United States, that the result would be for foreign governments to immediately retaliate and that our export trade would suffer.

The facts are that many foreign nations presently have various types of restraints on imports and many have effective methods of encouraging their exports through export subsidies and assistance in financing. Sometimes these arrangements have been worked out with specific nations and sometimes they have been arbitrarily and unilaterally established through other devices. The best evidence on this point is a memorandum prepared on December 27, 1967, by the Office of the President's Special Representative for Trade Negotiations. This memorandum dealt with the quantitative import restrictions on wool and man-made textiles. It did not discuss all textile items nor did it discuss the many import restrictions established by foreign countries on other products.

Without endeavoring to quote out of context from this memorandum a few quotations make it clear that on the items covered in that memorandum and as this Committee well knows on many other items import restrictions have already been established by many foreign countries. We are not aware of any resulting retaliation arising as a result of such measures which has adversely affected the trade between such countries. The paper started out by saying:

"This paper identifies quantitative import restrictions that *have been applied in the calendar year 1967* against wool and man-made textiles by 12 foreign countries—Austria, Belgium, Netherlands-Luxembourge (Benelux), Canada, Denmark, France, Italy, Japan, Norway, Sweden, Switzerland, United Kingdom and West Germany.

The paper by its definition shows that there are devices other than quotas and it refers to "licenses, 'voluntary' export controls and minimum import prices." The countries mentioned are significant exporters to the United States. They are obviously accustomed to establishing import restrictions on materials coming into their countries and presumably adjust their exports to meet the restrictions established by other nations.

We cannot see how it can be successfully argued that action by the United States to protect its essential industries would adversely affect its foreign trade. We believe it can reasonably be argued that if percentage quotas of the United States cordage market are made available to various nations they will permit a more orderly development of their production. Nations would thus avoid the dangers of over-production and reliance on the total U.S. market which might no longer be available to them due to imports into the United States from other competing nations.

We are not asking that our markets be denied to importing nations. To the contrary in the cordage from natural fiber field we are accepting the import levels of 1967–1969. Reference to Exhibit B will show that in 1969 import levels ranged from 88.8% for farm twines, 88.1% for industrial twines to 28.8% for hard fiber ropes. In the case of cordage from man-made fibers we would hope to retain the bulk of the domestic market because this market is still in its infancy. In both fields the bill permits growth in quantity of imports. We know of no instance where United States imports are given such a portion of the markets of any country. Our ability to export should not be adversely affected by such a pattern.

CONCLUSION

We in the cordage segment of the Textile Industry are well aware of the complexity of the problem to be resolved by the Congress in determining what type of trade legislation it will enact. The historical record of the last ten years of a rapidly declining industry can well be measured by the parallel reduction in the numbers employed in the industry, by the decline in the tax base, by the greater outflow of dollars for foreign cordage and by the substantial reduction in our capacity to produce cordage in times of war. The record speaks for itself. To repeat, we are not asking that our markets be denied to importing nations, but we do ask that some portion of what is now left to us be retained for our domestic producers. If this is not done the Congress will be acquiescent to the ultimate disappearance of our industry.

The Trade Bill is a partial solution to our problem. If it is enacted and we continue our all-out efforts to improve our operations, we are confident that the Cordage Industry along with the other segments of the Textile Industry will regain a healthy and competitive position in our country's economy. Either without the other will be inadequate.

Accordingly, we earnestly request the Committee to include the language of the Trade Bill as an amendment to the Social Security Bill or other appropriate legislation. This will insure this Congress as a whole having an opportunity to consider this legislation before it passes into history.

SUMMARY OF STATEMENT

1. The Cordage Industry is a small but important part of the Textile Industry.
2. The domestic markets for cordage products from natural fibers is shrinking due to the advent of cordage from synthetic fibers and the imports of both are increasing. Domestic producers now have a smaller and smaller percentage of a shrinking market.

3. In 1969 imports of cordage of natural fibers into the domestic market ranged from 88.8% in the case of agricultural twines and 88.1% in the case of industrial twines to 28.8% for hard fiber ropes. The lower percentage for ropes is due to the presently existing absolute quota on manila rope from the Philippines.

4. There is in effect only one domestic commercial plant producing agricultural twines left in the country and this is producing at a materially reduced rate. There were once 15 companies producing agricultural twines.

5. The entire hard fiber cordage industry has shrunk from 22 companies with 23 mills to 10 companies with 15 mills. In the majority of instances these remaining companies have also reduced their production capacity.

6. This reduction in spinning capacity is seriously effecting the national security. Ropes and twine are vital in a national emergency. The strategic stockpile contains both abaca and sisal to insure our ability to meet our military, maritime, agricultural and industrial requirements in times of emergency. Spinning capacity has already declined to the point where the industry could not meet the requirements at a level occasioned by World War II. Further reductions will face the country with an unacceptable risk.

7. The hard fiber cordage industry will disappear in the foreseeable future unless a fair share of the domestic market is kept available for the domestic producers.

8. The imports of cordage are from many countries with Mexico, Netherlands and Portugal among the leaders. Other countries such as Brazil and Japan are rapidly increasing their imports.

9. On Page 8 of our statement we recommend an amendment to relate the volume of imports to the size of the market. The percentage established in the base years will apply against the market for each future year.

CORDAGE INSTITUTE EXHIBITS

(Statistical and Graphical Illustrations depicting the relationship of Imports and U.S. Production to the total U.S. Hard Fiber Market.)

ROPE

HARD FIBER

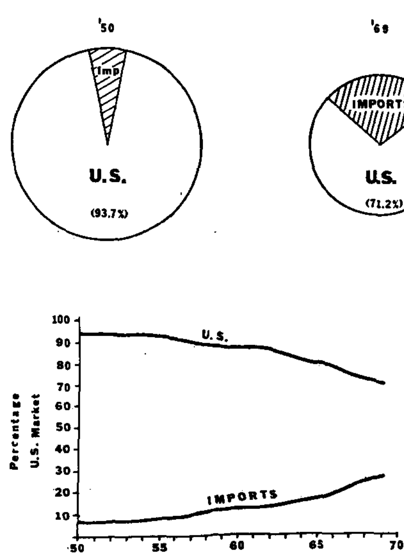

EXHIBIT A-1

INDUSTRIAL TWINE

HARD FIBER

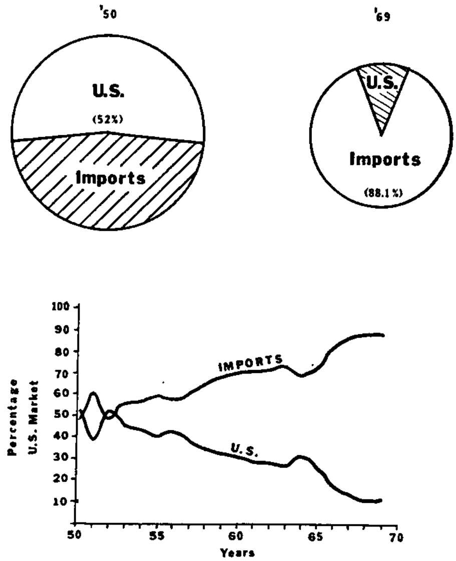

EXHIBIT A-2

AGRICULTURAL TWINE

HARD FIBER

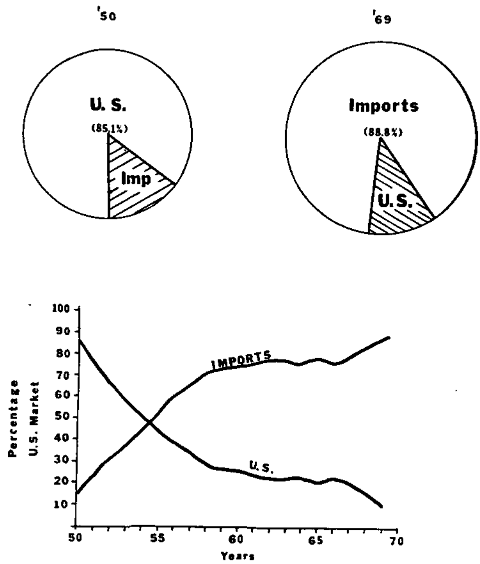

EXHIBIT A-3

ROPE

HARD FIBER

(units in million lbs.)

(1) SOURCE	'50	'52	'54	'56	'58	'60	'62	'64	'66	'67	'68	'69
Philippine Rep.	4.3	4.4	2.5	5.5	5.4	4.6	5.2	5.8	5.7	5.8	5.5	5.1
Portugal	*	*	*	*	*	.4	.4	1.2	1.8	1.9	1.8	2.5
Mexico	1.3	2.5	2.1	2.5	3.0	3.5	3.3	4.3	6.1	5.8	6.8	5.8
Other	1.7	1.3	1.6	.9	1.9	1.4	1.5	1.7	2.5	3.9	3.5	3.0
(A) Total Imports	7.3	8.2	6.2	8.9	10.3	9.9	10.4	13.0	16.1	17.4	17.6	16.4
U.S. Commercial Sales	107.2	109.0	83.3	101.5	82.3	67.0	64.4	56.8	62.9	53.5	47.2	40.3
U.S. Prison Sales	1.0	.6	.6	.4	.3	.3	.3	.2	.2	.2	.2	.2
(B) Total U.S. Producers	108.2	109.6	83.9	101.9	82.6	67.3	64.7	57.0	63.1	53.7	47.4	40.5
A+B=Total U.S. Market	115.5	117.8	90.1	110.8	92.9	77.2	75.1	70.0	79.2	71.1	65.0	56.9
Percentage U.S. Market (Imports)	6.3	7.0	6.9	8.0	11.1	12.8	13.8	18.6	20.3	24.5	27.0	28.8
Percentage U.S. Market (U.S. Producers)	93.7	93.0	93.1	92.0	88.9	87.2	86.2	81.4	79.7	75.5	73.0	71.2

* Included in "Other" or no imports that year

1 Each country listed has at least 10% of the total imports for that year

EXHIBIT B-1

INDUSTRIAL TWINE

HARD FIBER

(units in million lbs.)

SOURCE (2)	'50 (1)	'52	'54	'56	'58	'60	'62	'64	'66	'67	'68	'69
Mexico	26.9	16.9	24.9	27.8	29.0	30.6	31.3	22.1	18.7	16.7	18.0	15.1
Canada	4.1	*	*	*	*	*	*	*	*	*	*	*
Portugal	*	*	*	*	2.2	5.9	10.1	11.2	18.2	13.5	13.8	14.8
Other	2.0	.8	1.9	3.2	4.6	3.3	3.1	1.6	1.8	1.9	1.8	1.2
(A) Total Imports	33.0	17.7	26.8	31.0	35.8	39.8	44.5	34.9	38.7	32.1	33.6	31.1
U.S. Commercial Sales	35.0	18.2	20.3	22.5	18.3	16.8	16.8	15.0	7.3	4.2	3.4	3.3
U.S. Prison Sales	.8	.4	.5	.6	.7	.7	.8	.8	1.0	1.0	1.0	.9
(B) Total U.S. Producers	35.8	18.6	20.8	23.1	19.0	17.5	17.6	15.8	8.3	5.2	4.4	4.2
A+B = Total U.S. Market	68.8	36.3	47.6	54.1	54.8	57.3	62.1	50.7	47.0	37.3	38.0	35.3
Percentage U.S. Market (Imports)	48.0	48.7	56.3	57.2	65.5	69.4	71.6	68.8	82.3	86.0	88.4	88.1
Percentage U.S. Market (U.S. Producers)	52.0	51.3	43.7	42.8	34.5	30.6	28.4	31.2	17.7	14.0	11.6	11.9

* Included in "Other" or no imports that year

1 Baler Twine extracted. Reported under Agricultural Twine

2 Each country listed has at least 10% of the total imports for that year

EXHIBIT B-2

AGRICULTURAL TWINE

HARD FIBER

(units in million lbs.)

SOURCE[2]	'50[1]	'52	'54	'56	'58	'60	'62	'64	'66	'67	'68	'69
Canada	16.8	30.2	28.7	27.6	24.4	20.8	24.6	25.6	37.4	25.1	18.2	14.0
Mexico	13.9	39.5	63.5	78.0	109.8	103.7	134.1	102.0	73.8	76.6	54.7	65.3
Netherlands	*	2.0	16.2	21.7	27.3	16.9	22.6	21.9	33.6	27.3	30.5	24.5
Portugal	*	*	*	*	*	14.3	36.3	36.2	47.8	46.4	44.6	43.5
Other	1.3	6.1	19.5	40.0	63.6	50.6	59.7	47.8	71.6	85.3	105.7	104.0
(A) Total Imports	32.0	77.8	127.9	167.3	225.1	206.3	277.3	233.5	264.2	260.7	253.7	251.3
U.S. Commercial Sales	161.5	144.0	135.7	91.3	76.0	56.2	66.3	63.4	70.4	58.4	39.8	25.4
U.S. Prison Sales	21.2	18.0	16.9	16.0	14.2	16.0	15.2	11.2	14.0	9.0	7.6	6.1
(B) Total U.S. Producers	182.7	162.0	152.6	107.3	90.2	72.2	81.5	74.6	84.4	67.4	47.4	31.5
A+B= Total U.S. Market	214.7	239.8	280.5	274.6	315.3	278.5	358.8	308.1	348.6	328.1	301.1	282.8
Percentage U.S. Market (Imports)	14.9	32.5	45.6	61.0	71.5	74	77.2	75.8	75.7	79.4	84.2	88.8
Percentage U.S. Market (U.S. Producers)	85.1	67.5	54.4	39.0	28.5	26	22.8	24.2	24.3	20.6	15.8	11.2

*Included in "Other"

1 Includes adjustments for baler twine reported under industrial twine

2 Each country listed has at least 10% of the total imports for that year

EXHIBIT B-3

OFFICIAL STATEMENT OF THE NATIONAL SOYBEAN PROCESSORS ASSOCIATION, SUBMITTED BY SHELDON J. HAUCK, EXECUTIVE DIRECTOR

The National Soybean Processors Association appreciates this opportunity to outline its official position on U.S. trade policy, as it relates to the U.S. soybean industry.

This year, members of NSPA will crush 705 million bushels of soybeans—95 percent of the nation's total crush. Most of this crush will produce oil for edible purposes, and protein meal for use in livestock and poultry feeds.

The soybean economy in the United States has grown rapidly in recent years—the most dramatic sector being export markets. Currently, about 45 percent of the total U.S. soybean crop is exported as soybeans and soybean products. This movement in world trade of soybeans and products processed in the U.S. provides more than $1.4 billion in currency toward the U.S. Balance of Payments—more than from any other single commodity.

Exports of soybeans and their products now provide a viable market for over 500 million bushels of the nation's soybeans. These soybeans are produced on more than 20 million U.S. crop acres. Benefits from these exports are spread among farmers, marketers, processors, and the nation as a whole.

Our industry supplies over 90 percent of the soybeans and soybean products currently traded on world markets. This remarkable growth in foreign sales stems mainly from these factors:

1. A rapid increase in the demand for livestock and poultry products, especially in Japan and Western Europe.
2. Domestic farm programs that have encouraged expanded production of soybeans, and permitted them to be priced competitively on major world markets.
3. Relatively favorable conditions allowing access of U.S. soybeans and products to growing markets abroad.

Prime examples of these current conditions include:

(a) *European Economic Community.*—The EEC has no duties on soybeans or soybean meal as bound under terms set down by GATT. Use of soybean meal in the EEC's livestock and poultry rations has also been encouraged by EEC policies which have held grain prices at relatively high levels.

(b) *Japan.*—This nation has low duties on soybeans as a result of concessions obtained in the Kennedy Round of trade talks. Current duties are about 6 percent ad valorem. The Japanese more recently put further duty reductions into effect on May 1, 1970, although these will not become mandatory until 1972. Less favorable conditions, however, exist for soybean meal in Japan. This product is currently subject to quotas established annually by the Japanese Food Agency (about 50,000 metric tons will be imported during this fiscal year). Our industry has the assurance that Japan will remove these quotas by the end of 1971, with an effective 5 percent ad valorem duty remaining.

The soybean foreign trade outlook, although generally favorable now, does have problems. Consider these potential problem areas:

1. The European Economic Community has discussed the implementation of a domestic tax on soybean meal and oil. This would, if enacted, sharply reduce consumption of these products within the EEC. No action has been taken on this proposal to date, mainly due to a clear indication from the U.S. that it would retaliate. This warning was strongly supported by a resolution introduced by Chairman Mills last year. But the threat of the EEC tax still lingers. It is still too early to determine if the EEC Commission intends to drop its original plans.
2. Developing nations still press for an international fats and oils agreement. Such an agreement would seriously limit export prospects for both U.S. soybeans and soybean products. These nations' plans—especially those in Africa and Southeast Asia—are currently stymied due to firm insistence by the U.S. that such an agreement is impractical. We agree, especially now in view of strong world oil prices.

NSPA is aware that other U.S. products have not fared as well as soybeans and products have on world markets. The nation's textile industry has likely suffered as a result of low-cost imports, although it is difficult to determine at this time where the major impact has fallen.

Efforts to redress any such injuries to trade—outside the framework of GATT—can jeopardize both the present position of the soybean processing industry, and the institutional framework within which its gains have been made and secured. We are referring specifically to legislated or "voluntary" quotas.

Here is our position on the nation's foreign trade legislation:

1. We believe that the proposed Trade Act of 1969 represents a constructive approach to the nation's trade problems.

2. We support the proposal that would grant the President authority to reduce tariffs by 20 percent (or two percentage points ad valorem below the rate established on July 1, 1967). We understand this proposal is designed to facilitate use of an escape clause to provide relief—within GATT rules—for industries injured by low-cost imports.

3. We support amendments designed to make escape clause relief more readily available.

4. We support provisions that would make the adjustment assistance program a more useful tool in assisting industries threatened by low-cost imports. We feel the proposal to drop the link between increased imports and prior tariff concessions is constructive.

5. We urge the Senate Committee on Finance to objectively evaluate the position of U.S. agriculture in the Committee's actions on trade legislation. Enactment of legislation permitting free trade among nations would allow this nation to develop beneficial and rewarding long-term trade policies.

NSPA feels it is imperative that the U.S. maintain a favorable free trade climate throughout the world. The nation's agricultural commodities must be allowed to compete on major world markets, while maintaining the freedom to aggressively expand sales. Sound economic and trade policies are needed to meet these goals.

This nation must also maintain its ability to respond swiftly and effectively to any future threats to its world agricultural trade. To this end, the NSPA takes special note of the inestimatable value of the Office of Special Trade Representative, The White House. We feel that this Office should be strengthened and expanded to meet its increasing world trade role. It has provided a valuable vehicle for swift communication between the nation's commodity groups and the Administration on post trade policies and problems.

We submit this official position paper in the hope that sound and effective trade legislation will be forthcoming.

Telegrams

New York, N.Y., *October 10, 1970.*

Hon. Russell Long,
Chairman, Finance Committee, U.S. Senate, New Senate Office Building, Washington, D.C.:

The National Foreign Trade Council respectfully submits the following summary of its views with regard to the Trade Act of 1970 (H.R. 18970) concerning which, it was announced yesterday, hearings would be held by your committee today and on Monday, October 12th and requests that its views be incorporated in the record of the hearings. The council supports the following specific provisions of H.R. 18970, namely, the housekeeping provision regarding trade negotiations and tariff reductions. The new authority under section 252 to deal with foreign import restrictions and discriminatory acts; the elimination of the American selling price system of custom valuation, and the amendments to the antidumping and countervailing duty laws. The council also supports the DISC proposal as a constructive measure to improve the U.S. export position the council on a number of occasions and in testimony before the House Ways and Means Committee has urged that the Trade Expansion Act of 1962 be amended to provide on a selective basis more readily available recourse to "escape clause" relief to industries and to adjustment assistance to firms and groups of workers than has proved possible under the text of eligibility set forth in that act. The council does not, however, endorse the specific proposals regarding "escape clause" relief as proposed in H.R. 18970.

It believes that enactment of the "escape clause" formula as proposed would be extremely disruptive of trade and prejudicial to our national economic interest. The council is also opposed to any proliferation of mandatory orderly marketing measures and most earnestly hopes that by voluntary agreements with supplying nations, or other measures, the imposition of such restrictive measures can be avoided. Such proliferation would threaten the whole climate

TELEGRAMS—Continued

both here and abroad for maintaining sound international trade and investment policies and could result in retaliatory measures detrimental to our international trade and investment interests. We seriously urge that any such restrictive measures be appraised, not only as they would affect the particular industry concerned, but in terms of their costs to the economy as a whole. Unfair competition and nontariff barriers, which in contravention of the GATT adversely affect our commerce, should be opposed and offset by utilizing fully the countervailing duty, antidumping, and other safeguards, including voluntary agreements, temporary quotas and tariff adjustments, which are afforded in our laws and in the GATT.

ROBERT M. MORRIS, *President,*
National Foreign Trade Council, Inc.

PHILADELPHIA, PA., *October 9, 1970.*

Senator RUSSELL B. LONG,
Chairman, Finance Committee,
New Senate Office Building, Washington, D.C.:

On behalf of the membership of the Philadelphia Clothing Manufacturers Association I respectfully urge that the Finance Committee report out H.R. 18970 as a Senate bill. The manufacturers of men's and boy's tailored clothing hire a greater percentage of the disadvantaged than most industries and a serious disruption of our industry would curtail the employment opportunities of that group. Our clothing has a high labor content and cannot begin to meet the competition from clothing made in those low waged countries which are principal exporters of clothing to the United States. These countries and the hourly wage rates of their apparel workers are: South Korea 9 cents, Taiwan 15 cents, Hong Kong 26 cents, Japan 39 cents and Italy 49 cents. The skyrocketing of clothing imports has pushed our industry to the brink of destruction and unless immediately curtailed will end in the loss of many more thousands of jobs. Please make this telegram a part of the record of your hearings.

ALBERT R. ETTELSON,
President, Philadelphia Clothing Manufacturers Association.

LOS ANGELES, CALIF.

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
New Senate Office Building, Washington, D.C.:

Have just learned of trade bill hearings scheduled to be held October 10. Respectfully request the opportunity to testify before your committee be granted to our director, S. Richard Shostak. Mr. Shostak will be available to be heard at 10 a.m. Friday. We request our wire be included in Senate committee hearings.

ROBERT D. HUDSON,
President, Foreign Trade Association of Southern California.

ORLANDO, FLA., *October 12, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
New Senate Office Building, Washington, D.C.:

Understand today hearings being held on trade bill. Respectfully refer to my statement before House Ways and Means Committee starting on page 4340. Part 15 of 16 parts, June 16 and 17, 1970. In support of this legislation would appreciate your making this statement a part of the hearing record and doing all possible to expedite action on this bill.

JOFFRE C. DAVID,
Secretary-Treasurer, Florida Fruit and Vegetable Association.

TELEGRAMS—Continued

NEW YORK, N.Y., *October 12, 1970.*

Hon. RUSSELL LONG,
Senate Finance Committee,
Washington, D.C.:

This association, representing the American handbag industry, strongly urges immediate committee action supporting your bill, H.R. 18970. American handbag manufacturers are literally fighting for survival in the face of unfair handbags in ever-increasing numbers. U.S. manufacturers cannot compete with coolie wages and foreign production costs and as a result, countless firms are being forced out of business and their workers forced to go on relief. This industry is composed largely of unskilled workers in minority groups and the present import situation affects approximately 20,000 people in this category who depend on the American handbag industry for their livelihood. Statistics are available to substantiate these facts.

We respectfully request the inclusion of the above statements at the hearings being held by the Senate Finance Committee.

NATIONAL HANDBAG ASSOCIATION.
EDWARD S. LEVY, *Executive Director.*

ARLINGTON, VA., *October 12, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
The Capitol, Washington, D.C.:

As the representative of 38 manufactures of bicycle parts I must advise you that imports are well along toward obliterating our industry. My testimony on this subject was given in detail at the House Ways and Means Committee hearings. The membership of the Cycle Parts and Accessories Association strongly endorses the efforts you have made in behalf of fair international trade and asks that our urgent requests for favorable legislation in the current session of Congress be made a part of the record.

CARROL J. WARRELL,
Chairman, Tariff and Customs Committee, Cycle Parts and Accessories Association.

WARE SHOALS, S.C., *October 12, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Finance Committee,
New Senate Office Building,
Washington, D.C.:

Considering layoff and curtailed operation we are facing due to increased imports of textiles. We urge you to pursue vigorously the possibility of adding the pending social security bill and amendment which will force negotiation of textile import agreements with countries involved.

R. E. COLEMAN,
Executive Vice President, Riegel Textile Corp.

CHICKAMAUGA, GA., *October 9, 1970.*

Hon. RUSSELL B. LONG,
Senate Office Building,
Washington, D.C.:

Urgently request that the foreign trade bill be included as an amendment to the social security bill which the Finance Committee is now considering. It is most imperative to the textile industry that foreign textile imports are controlled and we solicit your influence and support of this important legislation.

CRYSTAL SPRINGS TEXTILES, INC.
C. CALLAWAY, *President.*

TELEGRAMS—Continued

COATS & CLARK, INC.,
Atlanta, Ga.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

The continued increase of textile imports into this country is resulting in further layoff of personnel plus more and more short work weeks. To prevent further deterioration and loss of jobs in our industry we strongly urge you to attach the trade bill as an amendment to the social security bill which is now under consideration.

L. P. GREER, Jr., *Vice President.*

GEORGIA TEXTILE MANUFACTURERS ASSOCIATION,
Atlanta, Ga.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

This is to urge that trade bill regulating textile imports from low-wage foreign countries be attached as amendment to social security bill. Recent figures released by Georgia Department of Labor show loss of more than 8,000 textile jobs in Georgia during past 12 months. Several plants have closed because of market disruption from imported textile products. On behalf of textile manufacturers in Georgia I strongly appeal for your support in granting relief needed if our industry is to survive.

L. P. GREER, Jr., *President.*

GENEVA COTTON MILLS, INC.,
Geneva, Ala.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

We strongly urge your help in getting the textile trade bill attached as an amendment to the social security bill. Our mills have been running on a curtailed basis for many months due to increasing imports from low-wage countries. We have 12,001 employees whose jobs are in serious jeopardy because of this intolerable situation.

D. H. MORRIS III,
President.

CAROLINA MILLS, INC., MAIDEN, N.C.,
Newton, N.C.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Seven out of our 10 operating units are running short time because of excessive imports of textile products. On behalf of our 1,650 employees we urgently request that your committee add the Trade Act of 1970 to the social security bill as an amendment.

LEONARD MORETZ,
President.

TELEGRAMS—Continued

AMERIDAN & EFIRDS MILLS, INC.,
Mount Holly, N.C.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

On behalf of our 3,000 employees in the textile industry, we urge that the trade bill of 1970 be added to the social security bill as an amendment. It has been necessary to sell one of our plants and our overall profits will be down some $2 mililon and will show a loss for the year. Short time for our employees is the greatest it has been in 12 years. We urge that you do everything possible to aid our industry and save jobs for our people.

A. W. BELL,
President.

KANNAPOLIS, N.C.

Hon. RUSSELL B. LONG,
Chairman of Senate Finance Committee,
Washington, D.C.:

Respectively request that you act promptly to tie import bill to social security bill. Textile industry desperately needs protection to counter loss of sales, short-time operations, and loss of jobs.

C. A. CANNON.

LITTLE COTTON MFG. CO.,
Wadesboro, N.C.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Thanks for your interest in textile import restraint. We have reduced operations at our Roseboro plant by one-third due to the import glutted market condition. Please help us to put Americans back to work.

C. L. LITTLE,
President.

COWIKEE MILLS,
Eufaula, Ala.

Senator RUSSELL LONG,
Washington, D.C.:

Please add the textile import amendment to the pending social security legislation. Cowikee Mill has six plants with 800 employees in four small towns in two Southern States. There is not one of our employees, not one of our employees' families, not one of the friends of these families who is not vitally interested in this important bill. They have seen and are witnessing today the results of unrestricted, uncontrolled low wage produced imports. This year they have been idle about 20 percent of their production time and profiting sharing checks will be much lower. Our 100 percent air-conditioned plants are as efficient as any in the world. So are our employees. Senator Long, we need order in our international trading. Please provide for that order now. Thank you.

DONALD COVER III,
President.

COWIKEE, MILLS,
Eufaula, Ala.

Senator RUSSELL LONG,
Washington, D.C.:

We need textile import quota bill attached to social security bill. Could pass quickly. Jobs are eliminated and earning power reduced by uncontrolled imports. Please help stabilize our industry.

BRADY ROGERS,
Executive Vice President.

TELEGRAMS—Continued

COWIKEE MILLS,
Eufala, Ala.

SENATOR RUSSELL LONG,
Washington, D.C.:

The uncontrolled ever-increasing flood of imported textile continues to plague our industry in general and Cowikee Mills in particular. We have been unable to operate at full production, thereby lowering the take-home pay of our employees. This also has had detrimental economic effect on the smaller communities in which we operate. I hope that through your leadership the textile import quota bill will be added to the social security bill and attain speedy passage.

ARCHIE CLARK,
Executive Vice President.

J. P. STEVENS & CO., INC.,
Greenville, S.C.

SENATOR RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Urge your full support of efforts to attach Mills bill provisions to social security measure now under study by your committee. Thousands of American jobs already lost and American textile industry's future is jeopardized by continued uncontrolled import of cheap foreign fabrics. Earnestly hope Senate will act favorably to stem this flood at earliest possible time.

JAMES HARRELL.

STAPLE COTTON COOPERATIVE ASSOCIATION,
Greenwood, Miss.

Hon. RUSSELL B. LONG,
Chairman, Finance Committee,
U.S. Senate,
Washington, D.C.:

Increasing competition from textile imports has seriously reduced farm incomes in the Midsouth. Greatly appreciate your efforts to provide realistic slowdown in imports through the proposed trade bill.

Respectfully yours,

CHARLES R. SAYRE,
President and General Manager.

OPP AND MICOLAS COTTON MILL,
Opp, Ala.

SENATOR RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

We urge you to do everything possible to attach the textile bill to the social security bill now pending before your committee. If we are to preserve jobs for American people in the textile industry, it is essential that we have textile trade legislation. Your efforts in our behalf will be sincerely appreciated.

GAINES R. JEFFCOAT.

SPRAY COTTON MILLS,
Eden, N.C.

RUSSELL B. LONG,
Chairman, Senate Finance, Committee,
Washington, D.C.:

Thank you for your interest in us. On behalf of our stockholders our employees and the community in which we operate we urge that you add the Trade Act of 1970 as amendment to social security bill. Ever increasing foreign imports of textiles causing compounded damage to our markets and our business outlook.

WELSFORD BISHOP, *President.*

TELEGRAMS—Continued

BEMIS CO., INC., BEMISTON PLANT,
Talladega, Ala.

Senator RUSSELL B. LONG,
Chairman of the Senate Finance Committee,
Washington, D.C.:

Textile imports are dealing our industry a devastating blow and the backlash from it is having adverse effects upon our company and our community of Talladega, Ala. I certainly hope you will support the textile bill and be successful in attaching it as an amendment to the current social security bill pending.

H. C. P. ELDRED, *Manager.*

THE BORDEN MFG. CO.,
Goldsboro, N.C.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Urge Trade Act of 1970 be added to social security bill as amendment. Time of utmost importance due to desperate plight of textile industry and its workers.

E. B. BORDEN, Jr.

HARRIETT AND HENDERSON COTTON MILLS,
Henderson, N.C.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

On behalf of our 1,500 employees I urge you and your committee to add the Trade Act of 1970 to the social security bill as an amendment when it comes before your committee. Unless the flood of foreign textiles is controlled, many of our employees will be put on a short work week and their jobs ultimately dispensed with.

MARSHALL Y. COOPER,
President and Treasurer.

NEW YORK CLOTHING MANUFACTURERS ASSOCIATION, INC.,
New York, N.Y.

SENATOR RUSSELL B. LONG,
Chairman, Finance Committee,
Washington, D.C.:

The New York Clothing Manufacturers Association, Inc., is the voice of the men's, young men's, and boys' tailored clothing industry of the New York Metropolitan Area. We urge that your committee report out as a Senate bill H.R. 18970. This bill provides for the orderly marketing of textiles and apparel by limiting the acceleration of the flood of imports which now threatens to destroy our industry. The high labor content of tailored clothing makes us especially vulnerable to unfair competition from low wage countries including all of the principal exporting countries, whether in the Far East or Europe, already imports of clothing have reached almost 20 percent of domestic production. Our domestic industry is suffering from a real recession but the 1970 imports of suits is 110 percent above 1969. Over double the amount; please do not delay in approving the bill. Relief must not be "too late and too little."

HERMAN SOIFER,
President.

TELEGRAMS—Continued

NATIONAL OUTERWEAR AND SPORTSWEAR ASSOCIATIONS,
TROUSERS INSTITUTE OF AMERICA,
New York, N.Y.

SENATOR RUSSELL LONG,
Senate Office Building,
Washington, D.C.:

It is imperative that the Senate pass a companion bill to H.R. 18970 protecting our domestic industries from the tremendous surge of imports of textile apparels. There has been a great deal of unemployment and a tremendous lowering of profits in these industries which are due to the rising surge of imports. Trust that this matter will be resolved at the earliest possible date.

JULES GOLDSTEIN, *Secretary.*

HARRIETT & HENDERSON YARNS, INC.,
Henderson, N.C.

SENATOR RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

If the textile industry is not granted some relief from the flood of imports into this country it is evident that more and more mills will have to close their doors, thereby causing a tremendous loss in jobs. I urge you and your committee to add the Trade Act of 1970 to the social security bill as an amendment when it comes before your committee.

THOMAS H. CRUMP, Jr., *Vice President.*

WASHINGTON, D.C.

Hon. RUSSELL LONG,
Washington, D.C.:

Earlier this week Monsanto Co. urgently requested your support of the Trade Act of 1970, via a wire from its board chairman, C. H. Sommer. With public hearings on the bill now scheduled for today and Monday, we renew our request for your support. The bill, as reported by the Ways and Means Committee, is critically needed by Monsanto. It provides a fair system of quotas on textiles and apparel made from manmade fibers and on manmade fibers themselves. Fast rising imports of these products have sadly hurt Monsanto's largest customer, the textile industry. With our quota restrictions immediately imposed, we predict a stagnated manmade fiber industry already hard hit in 1970. Predictions are that imports of manmade fibers, currently high, will increase rapidly unless restricted.

MONSANTO CO.,
By E. J. BOCK, *President.*

SYLACAUGA, ALA.

Hon. RUSSELL B. LONG,
U.S. Senate, Washington, D.C.:

Urge textile import bill included as amendment to social security bill. Avondale employees have suffered short working schedules and unemployment due to unrestricted imports. Textile industry must have relief from this intolerable situation.

DONALD COMER, Jr.,
Executive Vice President, Avondale Mills.

TELEGRAMS—Continued

ATLANTA, GA.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Although it is far more desirable to have voluntary agreements, apparently this is not yet possible. Therefore we fully support the textile bill and will appreciate support from the committee.

D. W. BROOKS,
Chairman of the Board,
Cotton Producers Association.

GRIFFIN, GA.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Respectfuly urge you to use your good offices to attach trade bill to social security measure. Our sales and profits are down drastically, due in large part to cheap Asian textiles that are sold delivered at prices much below our cost. A fair trade bill is needed if the textile industry is to survive. We appreciate your interest and assistance.

J. M. CHEATHAM,
President, Rushton Cotton Mills.

EASTMAN, GA.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

We urge you to use your influence to attach trade bill H.R. 16920 to the social security bill. In the last year 8,000 textile jobs have been lost in Georgia alone.

E. M. LOYLESS REEVES, BROS., INC.

SYLACAUGA, ALA.

Hon. RUSSELL B. LONG,
U.S. Senate,
Washington, D.C.:

Textile imports have caused unemployment and curtailed operations in our mills. Textile industry must have relief if it is so survive. Hope very much you will do whatever you can to see that textile import bill is added as an amendment to social security bill.

J. CRAIG SMITH,
President and Treasurer, Avondale Mills.

WILMINGTON, DEL.

Hon. RUSSELL B. LONG,
Senate Office Building, Washington, D.C.:

The Du Pont Co. congratulates the Senate Finance Committee for its firm resolve to deal with the country's urgent need for trade legislation as manifested by its scheduling trade hearings today and Monday.

The domestic textile industry's need for such legislation will be even greater in the immediate future. To paraphrase Chemical Week for October 7, Japan's synthetic fiber industry is faced with mounting inventories which at the end of July passed 10,000 metric tons of polyester staple and filament for the first time in Japanese history. At the same time nylon inventories totaled 10,294 metric tons, the highest level since 1965 according to the Japanese ministry of International Trade and Industry. The same article reports that Japanese demand for synthetic fibers will remain static. Obviously this surplus will have to be disposed of outside of Japan—and the only unrestricted export market for Japanese manmade fibers and textiles is the United States.

We would be glad to elaborate further on our position.

DU PONT CO.,
C. B. MCCOY, *President.*

TELEGRAMS—Continued

NEW YORK, N.Y.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Textile, garment, and shoeworkers are vitally concerned with the passage of the trade legislation so badly needed to prevent the loss of our jobs to imports. On behalf of members of local 155, ILGWU, whose jobs and livelihoods are threatened by rising imports, I am appealing for your support for the passage of trade legislation together with social security amendments as part of a single bill.

KNITGOODS WORKERS UNION, LOCAL 155, ILGWU,
SOL GREEN, *Manager-Secretary.*

LEXINGTON, N.C.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Urge immediate action to curb imports manmade fiber textile products. Increase of more than 700 percent last 6 years has demoralized markets. Our plant employment off 13 percent. Hours of work down approximately 20 percent. Sales down 25 percent.

JACK CHILDERS,
President, Erlanger Mills, Inc.

CHARLOTTE, N.C.

Senator RUSSELL B. LONG,
Chairman, Finance Committee,
Washington, D.C.:

Urge the attachment of the textile import control legislation to social security bill. Our cotton textile industry is seriously affected by foreign imports and needs prompt consideration of this legislation.

KENDALL CO.,
GEORGE MCQUILKIN, *Vice President.*

SCOTT, MISS.

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

We appreciate your interest in providing realistic controls on cotton textile import and urge that you take action as soon as possible to pass this legislation.

MINOR S. GRAY,
President, Delta & Pine Land Co.

BAKERSFIELD, CALIF.

Hon. RUSSELL B. LONG,
Washington, D.C.:

Thank you for scheduling hearing on the trade bill next week. The trade bill contains provisions that are very important to U.S. cottongrowers. We appreciate your help.

G. L. SEITZ,
Executive Vice President, Calcot, Ltd.

LOVINGTON, N. MEX.

Senator RUSSELL LONG,
Senate Finance Committee,
Washington, D.C.:

Cotton farmers in New Mexico recognize the need for reasonable restraint on import of cotton fiber and materials. Request your support and influence to attack import legislation to the social security bill for action soon as possible. Thank you for your consideration.

MARIAN C. BENHAM,
Member of Board of Directors,
New Mexico Farm and Livestock Bureau and National Cotton Council.

TELEGRAMS—Continued

MEMPHIS, TENN.

Senator RUSSELL LONG,
Washington, D.C.:

Appreciate your moving ahead with hearings on trade bill. Urge passage of same before Congress adjourns. Trade bill most important to U.S. cotton farmers.

C. L. DENTON, Jr.,
Chairman, Producer Steering Committee, Cotton Council.

GREENVILLE, MISS.

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Cotton farmers have vital interest in obtaining realistic controls of textile imports. Respectfully urge that trade bill be acted on favorably and expeditiously by Senate Finance Committee. Your leadership will be appreciated.

HARRIS S. SWAYZE,
President, Delta Council.

PHILADELPHIA, PA.

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Import of apparel has lead to serious unemployment in the knitted outerwear plants not only in Pennsylvania but throughout the United States. Philadelphia employees have been added to the relief rolls due to unfair competition from foreign sources. We recommend and urge your favorable consideration of presenting a joint bill that includes the trade bill with the social security bill.

JOSEPH SCHWARTZ,
Manager, Knitgoods Union.

ST. LOUIS, MO.

Senator RUSSELL LONG,
Washington, D.C.:

DEAR SENATOR LONG: We are very pleased that you have scheduled hearings in the Senate Finance Committee on the trade bill. The committee should report the trade bill with th equota provisions for footwear and textiles, these industries need the limited protection the bill provides in order to regain competitive positions against imports, the footwear industry thanks you for moving this legislation forward.

W. L. H. GRIFFIN,
President, Brown Shoe Co.,
Chairman, America Footwear Manufacturers Association.

OKLAHOMA CITY, OKLA.

Senator RUSSELL B. LONG,
Washington, D.C.:

This will express thanks from Oklahoma cotton people for scheduling hearing on trade bill involving textile imports. Hope you will do everything possible for passage this session.

OKLAHOMA COTTON GINNERS ASSOCIATION.

EL PASO, TEX.

Senator RUSSELL LONG,
Chairman, Washington, D.C.:

We are enthusiastic that you're scheduling hearing on the import trade bill. An early favorable report will be appreciated by our raw cotton industry.

Sincerely,

MIKE MAROS,
President, Supima Association of America.

TELEGRAMS—Continued

MORGANTOWN, W. VA.

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

The Glassworkers Protective Leagues of West Virginia, Pennsylvania, Ohio, Indiana, and Illinois are in full support of the trade bill H.R. 18970, and strongly urge earliest possible committee action although the bill only offers protection to foot wear and textile and industries like ours would gain help in only one area, antidumping. We still feel the bill has merit and should be passed. The glass industry has been fighting imports for 25 years. Our workers have visited Washington all through the years begging for some protection for America's first industry, the glass industry. Imports of foreign glass continue to rise; we are unable to compete with workers in other countries where the wage scales are so far below ours. We are forced to continue to beg for some protection. We ask that this communication be included in the hearings record.

HUBERTA M. PATTERSON,
Secretary, West Virginia League.

LYNCHBURG, VA.

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee, Senate Office Building, Washington, D.C.:

I would like to urge your support of Mills bill trade amendments in your committee including footwear quotas.

ROBERT S. LOCKRIDGE.

NASHVILLE, TENN.

Hon. RUSSELL LONG,
Chairman, Senate Finance Commitee,
Washington, D.C.

Mr. CHAIRMAN: The trade measures now before your committee are of the utmost importance to the footwear industry in this country. "Relief to restrict the increasing flow of low wage imports is long overdue." We urge you to take prompt action to advance this critical legislation.

E. M. G. WHITE,
Vice President, Genesco, Inc.

SAN FRANCISCO, CALIF.

Senator RUSSELL B. LONG,
U.S. Senate,
Washington, D.C.:

Our firm, Levi Strauss & Co., which operates apparel plants in your state, does not favor the trade bill now pending before the Senate Finance Committee. We urge that you do not give your support to this trade bill.

AL H. MATHE, *Vice President,*
Levi Strauss & Co.

OCTOBER 13, 1970.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Reference your committee's consideration of attaching the trade bill H.R. 18970 as rider to the social security bill. The American Chamber of Commerce in Italy had strongly opposed the House bill as an unfair radical departure from past trade policy inviting inevitable retaliation against U.S. exports. This new tactic to attach it as a rider confuses a purely domestic issue with one having extensive international repercussions. The enormous antagonism caused by the trade bill will only be greatly increased by an attempt to bypass hearings which would permit proof that trade bill is unnecessary and inadvisable as the administration has clearly concluded by indicating a probable veto which your committee's proposed rider attempts to wrongly avoid. Urge full committee hearings and Senate debate on trade bill.

GIUSEPPE FANTACCI,
Acting President, American Chamber of Commerce in Italy.

TELEGRAMS—Continued

SEATTLE, WASH., *October 12, 1970.*

RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

The Seattle Chamber of Commerce respectfully urges the proposed Trade Act of 1970 not be treated as a rider to the social security measure currently being considered by your committee provisions of the trade bill represent a major change in this country's foreign policy and should be considered independently rather than being joined with a totally unrelated measure.

GEORGE A. DUFF,
Executive Vice President, Seattle Chamber of Commerce.

WASHINGTON, D.C., *October 12, 1970.*

RUSSELL B. LONG,
Chairman,
Washington, D.C.:

Respectfully urge social security bill (H.R. 17550) be reported without welfare and trade bill riders. These riders will encumber and delay passage of needed social security legislation vital to 26 million Americans. To ensure best possible social security reform we feel that legislation must pass Senate prior to election recess. Again, respectfully urge immediate favorable action on social security by committee and the full Senate.

CYRIL F. BRICKFIELD,
Legislative Counsel, National Retired Teachers Association, American Association of Retired Persons.

WASHINGTON, D.C.

Senator RUSSELL B. LONG,
Washington, D.C.:

It is our understanding that the Senate Finance Committee will be asked to vote on a revised administration welfare plan on October 13. We urge you to vote against this place unless it is modified to guarantee complete protection of the jobs, benefits, and rights of the more than 170,000 incumbent welfare employffees who would be affected by the bill. The American Federation of State, County and Municipal Employees insists that changes in the welfare system provided for by this measure, or any substitute, not be instituted without regard for these employees.

JERRY WURF,
International President, American Federation of State, County and Municipal Employees, AFL–CIO.

LOS ANGELES, CALIF.

Senator RUSSELL B. LONG,
Washington, D.C.:

Urge you reject proposal to attach trade bill to social security or welfare reform bills. Our membership convinced enactment of trade bill will adversely affect overall trade and economy of United States.

ROBERT B. HUDSON,
President, Foreign Trade Association of Southern California.

TELEGRAMS—Continued

WASHINGTON, D.C.

Hon. RUSSELL B. LONG,
Chairman, Finance Committee,
Washington, D.C.:

Urge you vote against amendments embodying the text of H.R. 18970, proposed trade and tariff amendments of 1970. This proposal protects primarily special interest groups and is not in our best national interest. It has been termed by an administration spokesman as the most significant anticonsumer legislation now in the Congress. It will result in the stifling of competitoin and increased prices to the consumer. The imposition of quotas will be injurious to all consumers affecting particularly the low-income consumer in a period of increasing inflation. Any measure which will feed the flames of inflation is a threat to the economic well-being of our Nation.

MRS. LEONARD H. WEINER,
National President, National Council of Jewish Women.

WASHINGTON, D.C.

SENATE FINANCE COMMITTEE,
Washington, D.C.:

Having had the privilege of testifying before House Ways and Means Committee on behalf of the Chamber of Commerce of the United States I strongly believe that the Chamber representing 39,000 businesses in the United States should have the opportunity of presenting its views on the trade bill prior to any action by the Senate Finance Committee on the Senate. Therefore I believe the attempt to tack the trade bill on to the social security bill in the long run can only do harm to securing enactment of a proper trade bill since it deprives the members of the Finance Committee and the entire membership of the Senate an opportunity to hear all sides of what is most important legislation affecting the future relations of the United States throughout the world. I trust and hope the effort being made to tack the trade bill on to the social security bill will be rejected and the normal legislative procedures will be followed.

WALTER STERLING SURREY.

TORRANCE, CALIF.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Imperative you vote against Trade Act of 1970. This dangerous bill is highly inflationary and negatively affects every segment of our national economy, threatens the jobs of millions of American workers. Will risk investment of thousands of American small businessmen. Restricts the individual consumer in purchasing necessary goods and could trigger serious depression. Jeopardizes healthy economic trend of now increasing U.S. trade surplus could provoke similar retailatory measures from other countries.

RUSSELL J. THOR.

NEW ORLEANS, LA.

Hon. RUSSELL LONG,
Washington, D.C.:

We oppose import quotas being considered ways means seek your help defeating this bill respectfully.

TWI–ROPA MILLS AGENCY, INC.

TELEGRAMS—Continued

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
Washington, D.C.:

The Asia Pacific Council of American chambers of commerce (APCAC) representing American chambers in Australia, Hongkong, Japan, Korea, Okinawa, New Zealand, Philippines, Taiwan, Thailand, and Vietnam at extraordinary meeting in Hongkong last week reaffirmed opposition to trade bill now pending consideration before your committee and tacked onto social security bill. APCAC in our opinion based upon experience as businessmen in Asia-Pacific region deplore trend toward legislation stipulating quotas on specific imports into the United States because such legislation may set off disastrous international trade war and will sell the American consumer, the American farmer, and the American export manufacturer down the river. We recommend adherence to free trade policies which served America so well in the past and which are essential to prosperity, a growing standard of living, and friendly foreign relations especially to those Asian developing nations that desire trade and not aid to lessen America's military burden and thus reduce inflation in the United States.

RAYMUND KATHE, *Chairman.*

DALLAS, TEX.

Senator RUSSELL B. LONG,
Washington, D.C.:

Strenuously object to the placing of trade bill on social security bill as rider until after full and fair hearings are held on the trade bill. There are 34 Gibson Discount Centers with more than 1,360 employees in Louisiana who will be seriously affected with passage of this bill. Hope you will hold trade bill hearing separately and permit us a chance to testify.

H. R. GIBSON, Sr.

ROCHESTER, MICH.

RUSSELL B. LONG, JOHN W. WILLIAMS, WALLACE BENNETT, ROBERT GRIFFIN, PHILIP HART,
Washington, D.C.:

I vehemently oppose Senate Amendment Number 851 to the Social Security Act of 1970 (H.R. 17550). This amendment will critically impair our present system of private practice and greatly compromise our ability to care for our patients.

MICHEAL S. MEGE, M.D.

Hon. RUSSELL B. LONG,
U.S. Senate,
Washington, D.C.:

We are greatly concerned about the dangers of retaliation and long-term trade disruption which would result from the passage of H.R. 18970. as approved by the Ways and Means Committee. This sweeping and unprecedented delegation of import quota powers to the President is far different from the proposal on which many witnesses testified. We urge that you oppose effort to enact this bill without extensive hearings which would reveal its grave threats to orderly world trade growth and international harmony.

NATIONAL COUNCIL OF FARMERS COOPERATIVES, NATIONAL FARMERS UNION,
National Federation of Grain Cooperatives, the National Grange.

ALLENTOWN, PA.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR SENATOR: We appeal to you to support us in amending bill H.R. 18970 of the Ways and Means Committee to include tie fabrics. Our industry has been excluded from the provisions of the bill for reasons that are incomprehensible to us. Our textile plant depends entirely on the manufacture of tie fabrics. The exclusion of tie fabrics from bill H.R. 18970 will destroy us and our markets.

Please help us to eliminate section 206–1 from the impending quota bill.

Respectfully yours,

C. M. SMITH FABRICS, INC.

TELEGRAMS—Continued

ALLENTOWN, PA., *October 2, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Old Senate Office Building,
Washington, D.C.

DEAR SENATOR: We urge you to save our tie fabric industry by striking section 206-1 from Ways and Means Committee bill H.R. 18970.

We, together with many large tie fabrics producers, manufacture tie fabrics exclusively. Our livelihood as well as that of our supporting industries depends solely on this product.

The exclusion of tie fabrics from quota bill H.R. 18970 would prove disastrous since we are already beset by a tremendous problem from imports.

We desperately need your support in helping to reinstate tie fabrics in the provision of bill H.R. 18970.

Respectfully,

LOVA TEXTILE CO.

WILKES-BARRE, PA., *October 5, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Old Senate Office Building,
Washington, D.C.:

Tie fabrics have been unjustly excluded from the Mills bill No. H.R. 18970.

We are operating a large textile plant which depends very heavily on the manufacture of tie fabrics. Unrestricted imports of tie fabrics will cripple our operations and put many of our people out of work.

We urge you to support our industry in its fight for survival by including tie fabrics in the textile quotas now under consideration.

Respectfully,

C. & V. FABRICS, INC.,
JOHN PHILLIPS,
Manager.

CLIFTON, N.J., *October 5, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee, Old Senate Office Building,
Washington, D.C.

DEAR SENATOR: Section 206-1 of the Ways and Means Committee bill H.R. 18970 is a blow to the entire tie fabric industry since it will allow unrestricted imports on the fabrics from all over the world. Many thousand employees and workers depend entirely on the production of tie fabrics. We respectfully solicit your help in our desperate struggle to have Section 206-1 removed from bill H.R. 18970 to save our industry.

Respectfully,

ADVANCE PIECE DYE WORKS.

PATERSON, N.J., *October 1, 1970.*

Senator RUSSELL B. LONG,
Old Senate Building,
Washington, D.C.:

Ways and Means Committee bill H.R. 18970 excludes tie fabrics, under section WPY (1).

House Report No. 91A QRET of August 21 does not justify this exclusion.

The tie fabrics industry and its thousands of employees appeal to you to amend this bill to include tie fabrics in the quota bill thereby avoiding discrimination of this very important segment of the American textile industry.

We appeal to you, Senator, as an influential American, not to permit this discrimination and help us to rectify this injustice.

Respectfully,

NEW JERSEY TIE FABRICS MANUFACTURERS,
DYERS, AND FINISHERS ASSOCIATION.

TELEGRAMS—Continued

LUBBOCK, TEX., *October 12, 1970.*

Senator RUSSELL LONG,
Chairman, Foreign Trade Committee, Washington, D.C.:

All we people in cotton urgently hope that your committee will approve the Wilbur Mills bill. We do not think the bill will jeopardize exports; it will only give reasonable controls on textiles, and overall will be helpful in our trade balance.

PLAINS COOPERATIVE OIL MILL,
ROY B. DAVIS.

GASTONIA, N.C.

Senator RUSSELL LONG,
Chairman, Senate Finance Committee, Senate Office Building, Washington, D.C.:

We are pleased to learn of your beginning today hearings on the Mills bill and hope you will pursue vigorously our area is vitally concerned and needs the protection this bill will provide.

BRYAN HOUCK, *President,*
Executive Committee, Gaston County Chamber of Commerce.

JACKSON, MISS., *October 12, 1970.*

Senator RUSSELL LONG,
Senate Office Building, Washington, D.C.:

We appreciate your being willing to have hearing even at this late date on trade bill, we think this legislation good for our people in Mississippi.

BOSWELL STEVENS,
President, Mississippi Farm Bureau Federation.

SAN FRANCISCO, CALIF., *October 13, 1970.*

Hon. RUSSELL B. LONG,
Senate Office Building, Washington, D.C.:

Many parts of U.S. industry are being severely damaged by the rising level of unrestricted imports. Accordingly urge that your committee approve as promptly as possible H.R. 18970.

J. H. HUME,
President, Basic Vegetable Products, Inc.

MARION, N.C., *October 13, 1970.*

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee, New Senate Office Building, Washington, D.C.:

Market conditions have drastically effected our operations and our losses this year will be in excess of $500,000. Have operated in the red only 2 years in the 60-year history of our organization and the maximum was abount $100,000. Sales to date are one-third off and employment this year has dropped from 760 to about 640. Conditions seem to be getting worse and we feel that only favorable action on the trade bill will assure our continued operation.

MARION MANUFACTURING CO.,
R. W. TWITTY, *President and Treasurer.*

NEW YORK, N.Y., *October 12, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee, U.S. Senate, Washington, D.C.:

In behalf of over 10,000 employees of our company we urge your support of the Trade Act of 1970, H.R. 18970, as reported by the House Ways and Means Committee when it comes before the Senate Finance Committee this week.

R. M. DALE,
Vice President the Arrow Co., Division of Cluett Peabody & Co., Inc.

TELEGRAMS—Continued

EVANSVILLE, IND., *October 12, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.:

One division of our manufacturing operations involving 300 jobs has been closed permanently because of Japanese import competition. Accordingly we respectfully urge you to wholeheartedly support the trade bill now before your committee, and to use your personal influence with committee members. Hundreds of thousands of additional jobs will be lost unless orderly regulation of imports is legislated. Thousands of highly competitive American apparel plants plus the very sizeable import quotas provided in the legislation clearly guarantee protection of the American consumer. Our balance-of-payments deficit further justifies favorable action in support of H.R. 18970 as favorably reported by the House Ways and Means Committee. Again I respectfully urge your support speaking for 300 Americans whose jobs have been liquidated.

SHANE MANUFACTURING CO., INC.,
NORMAN SHANE, *Chairman.*

NEW YORK, N.Y., *October 12, 1970.*

Hon. RUSSELL B. LONG,
Chairman, U.S. Senate Finance Committee,
Washington, D.C.:

On behalf of our Member manufacturers of screws, nuts, rivets, bright wire goods, and other threaded fastener products, we respectfully request and urge early and favorable action by your committee on amendments 925 and 1009 to H.R. 18970. Rising volumes of low wage cost imports from Japan, West Germany, and other foreign countries is seriously undermining welfare of our domestic manufacturers and causing loss of jobs. We have been advised Japanese exporting manufacturers who have substantially lower labor costs receive 50 percent new plant depreciation first year, 1 percent tax rebates and 5 percent bank loans. Protection for small domestic concern badly needed now to prevent closings of plants. Please include this wire in hearings on H.R. 18970.

U.S. WOOD SCREW MANUFACTURING SERVICE BUREAU,
GEORGE P. BYRNE, JR., *Secretary.*

ALLENTOWN, PA., *October 10, 1970.*

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
Old Senate Office Building, Washington, D.C.

This association represents the apparel industry in Pennsylvania's Lehigh Valley and its 20,000 employees who earn more than $100 million annually. Unstemmed flow of apparel from the orient and other low-wage countries has already had a detrimental effect on our production and employment. The Trade Act of 1970, H.R. 18970, will be an important step in curbing these imports and strengthening the domestic apparel industry. We ask that your committee give the bill serious consideration and respectfully urge that it be reported out of committee and passed by the Senate.

HOWARD LEVY,
President, Lehigh Valley Needle Trades Association.

ALLENTOWN, PA., *October 10, 1970.*

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
Old Senate Office Building, Washington, D.C.

Manufacturer of apparel is the largest industry in this country and the Allentown-Lehigh County Chamber of Commerce strongly supports H.R. 18970 as an effort to curb the flow of apparell imports from low-wage countries. Continued acceleration of such imports will have a serious effect on local production and our annual payroll of more than $30 million. Respectfully urge your committee's endorsement of the Trade Act of 1970 as an important step in assuring the prosperity of our apparel industry and a reasonable balance of trade.

DONALD G. VOLLMER,
President, Allentown-Lehigh County Chamber of Commerce.

TELEGRAMS—Continued

WASHINGTON, D.C., *October 6, 1970.*

Hon. RUSSELL B. LONG,
Old Senate Office Building, Washington, D.C.

The need for quotas on fast growing imports of man-made fibers and products made from them is critical to Monsanto fiber production and to Monsanto's major customers in the textile and apparel industries. Such quotas are provided for in the Trade Act as reported out of the House Ways and Means Committee. Your support of the Trade Act is urgently requested if it is offered as an amendment to the social security bill in the Senate Finance Committee this week.

CHARLES H. SOMMER,
Chairman of the Board, Monsanto Co.

NEW YORK, N.Y.

Hon. RUSSELL LONG,
Senate Finance Committee, Washington, D.C.

We urge immediate favorable action on trade bill regulating textile and apparel imports. Relief required now to prevent threat to women's and children's coat and suit industry of this country.

NATIONAL BOARD OF THE COAT AND SUIT INDUSTRY,
ROBERT M. DUBOW, *Counsel.*

NEW YORK, N.Y., *October 13, 1970.*

Hon. RUSSELL B. LONG,
Chairman Senate Finance Committee,
U.S. Senate, Washington, D.C.:

We strongly urge your support of the "trade bill". The impact of imports on our industry, which is highly unionized, is assuming alarming proportions. Unless remedial legislation is adopted, resultant unemployment could become widespread. It is important, therefore, that you not only give the "trade bill" your unqualified support, but seek to enlist the active support of your colleagues.

ASSOCIATED CORSET & BRASSIER MANUFACTURERS, INC.

HAVERSTRAW, N.Y., *October 14, 1970.*

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.:

Trade Act of 1970 HR18970 important to survival of my industry, please pass thru committee.

JOHN MAZZACCA.

WEST HAVERSTRAW, N.Y., *October 14, 1970.*

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

The Trade Act of 1970 will help keep our plant employment up and will provide badly needed order in the import of textiles and apparrel goods. Please help get it out of Committee.

R. BROWN,
U.S. Plastic & Chemical Corp.

WEST HAVERSTRAW, N.Y., *October 14, 1970.*

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

H.R. 18970 required to stabilize a sinking industry. Trade Act of 1970 attached to social security bill OK with me.

J. M. MEDEURA.

TELEGRAMS—Continued

RALEIGH, N.C., *October 13, 1970.*

Hon. RUSSELL LONG,
Chairman, Finance Committee,
U.S. Senate,
Washington, D.C.:

To protect our cotton industry, we urge committee favorable consideration and vote on trade bill.

G. D. ARNDT,
General Manager, Carolinas Cotton Growers Association.

NEW YORK, N.Y., *October 14, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Solicit your support for the adoption of the trade bill. Regulating imports of textile and apparel together with social security amendments now under consideration by the Finance Committee essential to safeguard jobs of men and women working in this domestic industry from the ravages caused by imports.

SALVATORE NOTO,
Manager, General Secretary, Local 89, Italian Dressmakers Union, ILGWU.

NEW YORK, N.Y., *October 14, 1970.*

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee, U.S. Senate,
Washington, D.C.:

We respectfully but urgently request that you act favorably on the trade bill as approved by the House Ways and Means Committee. The 100 manufacturers of the children's wear we represent are being badly hurt by the unfair competition of imported clothing from low-wage countries. Prompt action at this session urgently required to avert irreparable damage, Hon. Russell Long.

INFANTS AND CHILDRENS COAT ASSOCIATION, INC.,
JOSEPH L. RUBIN, *Executive Director.*

SAN JUAN, P.R., *October 14, 1970.*

Senator RUSSELL B. LONG,
Chairman, Finance Committee, U.S. Senate,
Washington, D.C.:

We strongly recommend endorsement of trade act essential to our economy.

MANUEL T. HILDALGO,
Chairman, Regional Export Expansion Council for Puerto Rico and Virgin Islands.

AMERICAN YARN SPINNERS ASSOCIATION,
Gastonia, N.C., October 12, 1970.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

On behalf of the 100 member companies of the American Yarn Spinners Association we urge you to add the Trade Act of 1970 (H.R. 18970) as an amendment to the social security bill. The sales yarn industry has operated for the last few months at the lowest level since 1961 largely due to import penetration. The need of this legislation is urgent.

R. C. THATCHER, Jr., *President.*

TELEGRAMS—Continued

IMPERIAL GLASS CORP.,
Bellaire, Ohio, October 12, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

We strongly urge earliest possible committee action on trade bill H.R. 18970 which we fully support. Continuing increase in volume of imports of handcrafted glassware is threatening extinction of our industry which is one of the oldest American crafts. Low wages in foreign countries and copying of our products at low prices will lead to the extinction of our industry unless Congress acts to protect us. We sincerely request inclusion of our plea in the hearing record.

C. J. UHRMANN,
President.

PORT ARTHUR CHAMBER OF COMMERCE,
Port Arthur, Tex., October 12, 1970.

RUSSELL LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

It is my understanding that the Senate Finance Committee is tacking the trade bill onto the social security bill in an effort to slide it through. I earnestly solicit your support in blocking this action so that each can be considered on its own merit.

NEAL MILLER,
Chairman, Public Affairs Committee.

HONEYWELL, INC.,
Minneapolis, Minn., October 12, 1970.

Senator LONG,
Senate Office Building,
Washington, D.C.:

We urge your support for efforts to keep trade legislation from being joined to the social security bill. We know opinions differ on the trade measure presently before the committee, but we feel strongly that trade proposals deserve at least thorough and conscientious consideration on their own merits and should be passed on separately by the committee and the Senate. After careful study we oppose H.R. 18970. We believe this bill may initiate an international trade war which could jeopardize America's $37 billion export trade, threaten the jobs of 4 million Americans employed in international commerce, add to domestic inflationary pressures to the detriment of the American consumer, and weaken the U.S. balance-of-payments position.

J. H. BINGER, *Chairman.*

SACRAMENTO METROPOLITAN CHAMBER OF COMMERCE,
Sacramento, Calif., October 12, 1970.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.:

The social security bill and the trade bill are too vital individually to be considered together. The Sacramento Metropolitan Chamber of Commerce respectfully requests that you exert your concerned influence to insure separate review and consideration of these two legislative proposals. Please advise as to your action on this request at your earliest convenience.

Respectfully yours,

ROY GREEN, Jr., *President.*

TELEGRAMS—Continued

MOBILE AREA CHAMBER OF COMMERCE,
Mobile, Ala., October 12, 1970.

Hon. RUSSELL B. LONG,
U.S. Senate,
Washington, D.C.:

We understand that efforts are being made to join the trade bill onto the social security bill now before your committee. Joining these completely unrelated bills would in effect preclude adequate hearings on an important and controversial piece of legislation. We therefore respectfully request that consideration be given by your committee for separate hearings on the trade bill and the social security bill.

A. A. WOOD, M.D., *President.*

WORLD TRADE CLUB OF INDIANA,
Indianapolis Ind., October 12, 1970.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

We strongly oppose effort to tack trade legislation on to social security or other unrelated legislation as totally unwarranted. Trade bill too important and demands its own adequate hearings.

INDIANAPOLIS CHAMBER OF COMMERCE.

CHEYENNE, WYO., *October 12, 1970.*

Senator LONG,
Senate Finance Committee,
Washington, D.C.:

I object to attaching the trade bill to social security bill.

RALPH S. JOHNSON.

DAMES & MOORE,
Los Angeles, Calif., October 12, 1970.

SENATE FINANCE COMMITTEE,
Senate Office Building,
Washington, D.C.:

Adequate hearings are imperative for trade bill now before your committee. To add the bill to the social security legislation would be an unwarranted disservice to the business community. I strongly urge you refrain from such action.

TRENT R. DAMES.

HOBART MANUFACTURING CO.,
Troy, Ohio, October 12, 1970.

SENATE FINANCE COMMITTEE,
Senate Office Building,
Washington, D.C.:

As businessman and member of International Committee of Chamber of Commerce of United States of America, I am definitely strongly opposed to any effort to join the trade bill to the social security bill or any other unrelated bill.

Respectfully,

DAVID A. MEEKER,
Chairman of the Board.

UIWA CO.,
October 12, 1970.

SENATE FINANCE COMMITTEE,
Washington, D.C.:

Strongly opposed to tactics of joint vote on social security and trade bills, separate debate and decision required on protectionist features of trade bill, combining these bills distorts crucial issues.

——— ———.

TELEGRAMS—Continued

NEW YORK, N.Y., *October 9, 1970.*

SENATE FINANCE COMMITTEE,
New Senate Office Building,
Washington, D.C.:

I urge that the foreign trade bill be considered and acted upon separately. This extremely complex legislation is vital to our national economic welfare and critical to our foreign relations. It requires full public hearings and thorough consideration by this committee and by the Senate as a whole.

KENNETH M. SPANG,
Chariman, International Committee,
U.S. Chamber of Commerce.

PARIS, FRANCE.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

The American Chamber of Commerce in France strongly opposes the tactic of tacking on the trade bill to social security bill. Crucial protectionist features of trade bill require debate and decision on the merits alone without reference to social security or other issues.

WILLIAM REIDER, *President.*

ARTHUR H. LEE, INC.,
New York, N.Y., October 10, 1970.

Senator RUSSELL LONG,
Chairman, Finance Committee,
Washington, D.C.:

Object strongly to irresponsible legislature of combining two unrelated subjects under the same bill, H.R. 18970. Free trade is American life blood and must be given sober and independent thought. A similar act in the 30s brought disaster results, at a time sagging world economy the American consumer has a right to be protected through responsible company. Please give this matter careful consideration.

DEREK A. LEE, *President.*

INTERNATIONAL TRADE BUREAU CHAMBER OF COMMERCE,
Cedar Rapids, Iowa, October 12, 1970.

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Cedar Rapids International Trade Bureau objects to tacking of the trade bill to the social security bill. No proper hearing for trade bill. We have vital interests in world trade as 16 percent of local economy could be affected.

RICHARD PETSKA, *Secretary.*

COMMERCE & INDUSTRY ASSOCIATION OF NEW YORK, INC.,
New York, N.Y., October 9, 1970.

Senator RUSSELL LONG,
Senate Finance Committee,
Washington, D.C.:

Most strongly urge you take appropriate action to prevent foreign trade bill being tied to social security legislation. Such vitally important measures require fullest separate consideration.

RALPH C. GROSS, *President.*

TELEGRAMS—Continued

AMHERST COLLEGE,
Amherst, Mass., October 11, 1970.

SENATE FINANCE COMMITTEE,
U.S. Congress,
Washington, D.C.:

I am shocked to hear of proposal to present trade bill as amendment to social security bill. Two such major subjects for legislation clearly should be given separate consideration. I hope you will propose modified trade bill based on recognition of need for a expanded world trade after adequate hearings.

WILLARD L. THORPE,
Professor of Economics.

BARNSTABLE, MASS., *October 12, 1970.*

CHAIRMAN, SENATE FINANCE COMMITTEE,
Washington, D.C.:

Understand committee reporting trade bill and social security measure together. Urge trade bill be separately reported and debated on floor in full view of public and voted up or down.

THORSTEN V. KALIJARVI.

LONDON, *October 12, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

The American Chamber of Commerce (UK) representing 2,200 Anglo American firms operating in Great Britain strongly urges you do not repeat not attach trade bill to pending House passed social security legislation. Stop current local climate of opinion. Both business and Government warns of inherent dangers of protectionist aspects of the trade bill. Inevitable retaliation would adversely affect U.S. export and exchange balances.

WENDELL S. CLOUGH, *President.*

NORTH AMERICAN ROCKWELL CORP.,
Pittsburgh, Pa., October 12, 1970.

Hon. RUSSELL B. LONG,
Washington, D.C.:

H.R. 18970 now pending before Senate Finance Committee contains DISC proposal which is of considerable importance to small and large firms with potential exports. This legislation should contribute substantially to improved balance of payments as well as additional employment opportunities in the United States.

Strongly urge this legislation be approved by Senate.

A. B. KIGHT,
Vice President, International.

GREATER PITTSBURGH CHAMBER OF COMMERCE,
Pittsburgh, Pa., October 12, 1970.

Hon. RUSSELL B. LONG,
Old Senate Office Building,
Washington, D.C.:

Regarding H.R. 18970 now before Senate Finance Committee DISC proposal very important to western Pennsylvania firms and should be retained by the Senate. Should greatly contribute to improved balance of payments and increased employment opportunities in the United States.

T. D. TAUBENECK,
Vice Chairman, World Trade Council.

TELEGRAMS—Continued

AMERICAN CYANAMID CO.,
Wayne, N.J., October 12, 1970.

Hon. RUSSELL B. LONG,
U.S. Senate, Washington, D.C.:

In the event proposal is made to eliminate creation of DISC from trade legislation now under consideration urge you support retention in interest of U.S. position in world trade. DISC represents first U.S. Government recognition of need for export incentive to bolster U.S. balance of payments and spur further U.S. production for overseas markets. DISC provisions can only benefit U.S. industry including American labor. American Cyanamid Co. urges inclusion of DISC provisions in final bill.

E. G. HESSE,
Vice President.

UNION CARBIDE CORP.,
New York, N.Y., October 9, 1970.

Hon. RUSSELL B. LONG,
Senate Office Building,
Washington, D.C.:

We believe enactment of trade legislation in 1970 is highly desirable and urge the Senate Finance Committee to take prompt and favorable action on the trade bill as reported by the House Ways and Means Committee. While this bill has many desirable features we particularly urge you to support DISC because it will substantiallly increase exports and benefit production and employment in the United States.

F. P. WILSON, *President.*

THE DOW CHEMICAL CO.,
Midland, Mich., October 12, 1970.

Senator RUSSELL B. LONG,
Old Senate Office Building,
Washington, D.C.:

Urge you to support the Treasury Department's proposal for tax deferral for a domestic international sales company (DISC) as part of the Trade Act of 1970.

Increased exports are needed to improve our balance of payments and to permit domestic producers to operate their production facilities at optimum levels. Encouraging small companies to export will also increase opportunities for our domestic labor force. The same results will be achieved by encouraging existing exporters to continue exporting rather than produce abroad. Potential exporters have to learn new ways of doing business as well as compete with foreign manufacturers.

The DISC proposal has real incentives for encouraging exports. The savings from tax deferral will stimulate smaller companies to venture into the strange export business. They will be able to do this competitively without encountering the problems and decisions involved in forming foreign subsidiaries. DISC will encourage more companies to overcome the problems related to strange markets and export procedures.

In my opinion the benefits of this proposal will far outweigh any revenue loss. In addition I suspect the estimated revenue loss does not adequately reflect compensating revenue gains. More jobs will be available here. The increased production of domestic manufacturers will carry some fixed costs and will make domestic business more profitable even though export profit is allocated to the DISC.

This DISC proposal is the first concrete effort by our Government to encourage exports by making them more attractive to small manufacturers. Profits motivate businessmen and we need this kind of motivation.

CARL A. GERSTACKER,
Chairman of the Board.

TELEGRAMS—Continued

THE DOW CHEMICAL CO.,
Plaquemine, La., October 12, 1970,

Hon. RUSSELL LONG,
Old Office Building,
Washington, D.C.:

I respectfully request your aid in retaining the DISC provisions of the trade Act of 1970 which is currently in hearings. The deletion of this provision of the act would be extremely detrimental to us by hampering our ability to compete overseas. The DISC provision will increase jobs, enable small companies to export, and facilitate domestic growth. Any immediate revenue loss would be far outweighed by these advantages. I respectfully request your consideration of these views.

JOHN C. HARVEY,
Industrial Relations Manager.

THE DOW CHEMICAL CO.,
Plaquemine, La., October 12, 1970.

Hon. RUSSELL B. LONG,
Senate Office Building,
Washington, D.C.:

I urge you to support retention of the discontinuance provision of the Trade Act of 1970 in current hearings.

As you know, this will greatly improve ability of domestic corporations to compete overseas, increase jobs, enable small companies to export, and facilitate domestic economic growth. These advantages far outweigh any immediate revenue loss.

EVERETT JACOB,
General Manager.

LONG BRANCH, N.J., *October 13, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Our locals urgently recommends that the social security bill and the trade bill be taken up as a single measure and reported as such to the Finance Committee.

EDWARD HINZ, *Manager,*
Locals 85, 150, and 157.

PATERSON, N.J., *October 13, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Please vote in favor of the attachment of trade legislation to the pending social security bill now pending before the Senate Finance Committee.

EXECUTIVE BOARD LOCAL 134 ILGWU.

NEW YORK, N.Y., *October 13, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Hope that the Senate Finance Committee will report out the social security bill and the trade act as a single measure. Both measures are urgently needed and are in the public interest.

HARRY FISHER,
Manager, Local 9, ILGWU.

TELEGRAMS—Continued

PLAINFIELD, N.J., *October 13, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Our local urgently requests that the social security bill and the trade bill be taken up as a single measure and reported as such to the Finance Committee.

EMANUEL LEVENTHAL,
Manager, Local 149, ILGWU.

NEWBURGH, N.Y., *October 13, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Please vote in favor of the attachment of trade legislation to the pending social security bill now pending before the Senate Finance Committee.

JOHN MARAZITA,
Manager, Local 165,
International Ladies Garment Workers Union.

POTTSVILLE, PA., *October 13, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

National interest requires consideration of the social security bill coupled with the trade bill as part of a single measure by the Finance Committee. Urge your assistance in this matter.

MARTIN ROSOTO,
District Manager, Local 351, ILGWU.

POTTSVILLE, PA., *October 13, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

National interest requires consideration of the social security bill coupled with the trade bill as part of a single measure by the Finance Committee. Urge your assistance in this matter.

ISABELL KILRAINE,
President, Executive Board, Committee of Local 351, ILGWU.

JOHNSTOWN, PA., *October 13, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

We urge your assistance and consideration of social security bill coupled with the trade bill.

ANGIE CHIODO,
President, Western Pennsylvania District Council,
International Ladies Garment Workers Union.

JACKSON, TENN., *October 13, 1970.*

Hon. RUSSELL LONG,
Senate Office Building,
Washington, D.C.:

Urge your vote for trade bill as part of social security. This legislature is of great significance to all garment workers everywhere.

MATTIE ALLEN,
President, Local 493.

TELEGRAMS—Continued

INTERNATIONAL LADIES GARMENT WORKERS UNION,
October 12, 1970.

RUSSELL LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Urge you to vote for the trade bill as part of the social security amendment legislation of paramount significance to all Government wokers whose jobs are effected by imports.

OFFICERS AND MEMBERS OF LOCAL 514.

UNIVERSAL BUTTON LOCAL 267,
Haarodsburg, Ky., October 12, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

We urgently request your vote for trade bill consideration together with social security amendment is needed badly by all workers of the Nation and Kentucky.

NANCY ROBINS,
Financial Secretary.

PLASTIC MOLDERS AND NOVELTY WORKERS UNION, LOCAL 132,
New York, N.Y., October 12, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

We urge you to vote favorably on the social security amendment together with the trade bill it is of vital importance to the workers of our country and affects the economic life in particular of the members of our union.

JOEL MENIST,
Manager-Secretary, ILGWU.

MONROE, GA., *October 12, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Your aid and influence is requested in the effort to attach the trade bill to the social security bill. Imports have made necessary a recent decision to discontinue what for many years was the principle item for plant here in Monroe, Ga. Orderly control is most important.

GEORGE FELKER III.

NEW HAVEN, CONN., *October 12, 1970.*

Senator RUSSELL LONG,
Chairman, Senate Finance Committee.
Senate Office Building, Washington, D.C.:

Our local urgently recommends that the social security bill and the trade bill be split up or be considered as a single measure and reported as such to the Finance Committee.

I. JEAN RYAN,
Secretary, Local 223.

CHICAGO, ILL., *October 12, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Hope that the Senate Finance Committee will report out the social security bill and the Trade Act as a single measure. Both measures are urgently needed and are in the public interest.

MORRIS BIALIS,
Vice President, International Ladies Garment Workers Union.

TELEGRAMS—Continued

NEW YORK, N.Y., *October 12, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Request your vote in support of joint consideration of the trade bill together with the social security amendments now pending before the Senate Finance Committee, both items of great importance to all workers in the Nation.

MARTIN L. COHEN,
Manager-Secretary, Local 105, ILGWU.

BERRYTON, GA., *October 12, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Please vote for and use your influence to attach trade bill to social security bill. Imported yarn seriously affecting our business.

A. B. HAMMOND,
President, Harriett Henderson Cotton Mills.

NEW YORK, N.Y., *October 12, 1970.*

Hon. RUSSELL B. LONG,
U.S. Senate,
Washington, D.C.:

Our 14,000 employees' futures are in great jeopardy unless we can count on your support for the passage of the Trade Act of 1970.

LAWRENCE PHILLIPS,
President, Phillips Van Heusen Corp.

YORK, PA., *October 12, 1970.*

Hon. RUSSELL B. LONG,
Senate Office Building, Washington, D.C.:

Strongly support trade bill H.R. 18970 and urge members of Senate Finance Committee to have trade bill made a rider to social security bill.

E. M. DAMON,
Executive Secretary, Mushroom Processors Assciation.

LOS ANGELES, CALIF., *October 12, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Please vote in favor of the attachment of trade legislation to the pending social security bill now pending before the Senate Finance Committee.

CORNELIUS WALL,
Director, Pacific Coast Region,
International Ladies' Garment Workers' Union.

PASSAIC, N.J., *October 12, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Our local urgently recommends that the social security bill and the trade bill be taken up as a single measure and reported as such to the Finance Committee.

SID SCHUSTER,
Manager, Local 145, ILGWU.

TELEGRAMS—Continued

WEST ISLIP, N.Y., *October 12, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Our executive board urgently recommends that the social security bill and the trade bill be taken up as a single measure and reported as such to the Finance Committee.

EDWARD DANYAI,
Manager, Local 107,
International Ladies' Garment Workers' Union.

NEW YORK, N.Y., *October 12, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Our organization urgently recommends that the social security bill and the trade bill be taken up as a single measure and reported as such to the Finance Committee.

EDWARD KRAMER,
Vice President-General Manager, ILGWU.

NEW YORK, N.Y., *October 12, 1970.*

RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

DEAR CHAIRMAN LONG: Urge you vote for trade bill as part of the social security amendment. Legislation of paramount significance to all workers whose jobs are affected by imports.

HENRY SCHWARTZ,
Manager, Local 40, ILGWU.

TROY, N.Y., *October 12, 1970.*

RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Our organization urgently recommends that the social security bill and the trade bill be taken up as a single measure and reported as such by the Senate Finance Committee.

EDWARD NASH,
Manager, Local 163–176,
International Ladies' Garment Workers' Union.

ALTUS, OKLA., *October 11, 1970.*

Hon. RUSSELL LONG,
Washington, D.C.:

Appreciate your interest in the trade bill. Hope it can be moved in association with social security bill.

J. D. FLEMING,
Oklahoma Cotton Cooperative Association.

NEW HAVEN, CONN., *October 13, 1970.*

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Our local urgently recommends that the social security bill and the trade bill be taken up or be considered as a single measure and reported as such to the Finance Committee.

FRANCES COOMBS,
President, Local 167, ILGWU.

TELEGRAMS—Continued

CORNELIA, GA., *October 12, 1970.*

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
New Senate Office Building, Washington, D.C.:

Please use your influence to attach the trade bill to the social security bill. You know our problems in the textile industry. We need action.

WILLIAM J. SHORTT,
Vice President and General Manager,
Chicopee Manufacturing Co.

CLEVELAND, OHIO, *October 12, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Your vote is urgently requested for trade bill consideration along with social security amendment needed by American garment workers.

MAE FIEDLER,
President, Cleveland Knit Goods Council, ILGWU.

CLEVELAND, OHIO, *October 12, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

We ask your affirmative vote for the trade bill consideration along with the social security bill.

RUTH JONES,
Local 543, ILGWU.

CHATTANOOGA, TENN., *October 9, 1970.*

Senator RUSSELL LONG,
Senate Office Building, Washington, D.C.:

In order to help preserve the jobs of the more than 2 million textile and apparel workers, we urge you to attach the Trade Act of 1970 to the social security bill.

JACK PERSINGER,
Standard-Coosa-Thatcher Co.

GASTONIA, N.C., *October 9, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
New Senate Office Building, Washington, D.C.:

Imports have drastically eroded our markets, therefore causing curtail operations, loss of jobs, and the possible loss of our industry. In the interest of our stockholders and 1,000 employees we urge that the Trade Act of 1970 be added to the Social Security Act as an amendment.

HARDEN MANUFACTURING CO.

INMAN, S.C.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
New Senate Office Building, Washington, D.C.:

Urge you attach Mills foreign trade bill to the social security bill. Uncontrolled imports have practically obliterated profit, reduced working hours, and impaired our ability to compete over the past several years. We have increased dramatically the number of Negroes working at Inman; their jobs and the jobs of all our employees are endangered by continued unrestrained imports. Thank you for anything you can do to move this bill closer to passage.

JAMES A. CHAPMAN, Jr.,
President and Treasurer, Inman Mills.

TELEGRAMS—Continued

ALEXANDER CITY, ALA.

Senator RUSSELL B. LONG,
Chairman, Committee on Finance,
New Senate Office Building,
Washington, D.C.:

We urge that the trade bill be attached as an amendment to the social security bill now pending before your committee.

T. D. RUSSELL,
Chairman of the Board, Russell Mills, Inc.

VALDOSTA, GA., *October 12, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
New Senate Office Building,
Washington, D.C.:

Your influence in attaching the trade bill to the social security bill is sincerely and honestly requested and appreciated.

A. J. STRICKLAND III,
President, Stickland Cotton Mills.

EASTON, PA., *October 13, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.:

National interest requires consideration of the social security bill coupled with the trade bill as part of a single measure by the Finance Committee. Urge your assistance in this matter.

GRACE BIRKEL,
District Manager, International Ladies Garment Workers Union.

NEW HAVEN, CONN., *October 12, 1970.*

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.:

Our locals urgently recommend that the social security bill and the trade bill be taken up or be considered as a single measure and reported as such to the Finance Committee.

BERT COOPER,
State Director, International Ladies Garment Workers Union.

CLEVELAND, OHIO, *October 12, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

Please vote for the trade bill jointly with the social security bill this legislation is urgently needed by American garment workers.

TESSIE PRIEST,
Local 466, ILGWU, Toledo, Ohio.

TELEGRAMS—Continued

MT. VERNON, N.Y., *October 12, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

Urgently request your assistance passage social security amendments and trade legislation as single bill reported from committee ILGWU members seek relief from current economic hardships.

SAUL ROSEN,
For the Executive Board Locals 137–140–143.

NEW HAVEN, CONN., *October 12, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

Our local urgently recommends that the social security bill and the trade bill be taken up or be considered as a single measure and reported as such to the finance commitee.

MARY COCCOLLA,
President, Local 153, Hartford, Conn.

NEW HAVEN, CONN., *October 12, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

Our local urgently recommends that the social security bill and the trade bill be taken up or be considered as a single measure and reported as such to the finance committee.

LUCY KRENTZMAN,
President Local 152 ILGWU, Bridgeport, Conn.

NEW HAVEN, CONN., *October 12, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

Our local urgently recommends that the social security bill and the trade bill be taken up or be considered as a single measure and reported as such to the finance committee.

GABE FUCCI,
President Local 151 ILGWU, New Haven, Conn.

OCTOBER 9, 1970.

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee,
New Senate Office Building, Washington, D.C.:

Your decision to hold hearings on the textile import legislation demonstrates your concern for the future of the U.S. textile industry and its employees and for that we are deeply grateful.

I am convinced that the hearings will show as conclusively as have other hearings that our industry does have a special problem requiring special consideration.

I urge you and the members of your committee to act favorably on the proposal to make the textile import legislation part of the social security measure. Our industry and its people cannot afford still another delay on this vital proposition.

I know I can count on you to do everything you possibly can to pursue this matter to a successful conclusion. Please count on me to assist you in any way possible.

H. W. CLOSE,
Chairman of the Board, Springs Mills, Inc.

TELEGRAMS—Continued

OCTOBER 8, 1970.

Senator RUSSELL B. LONG,
U.S. Senate, Washington, D.C.:

The enactment of trade legislation this session is essential if the jobs of our employees in fiber-producing plants are to be reasonably secure. We understand that consideration is being given by the Finance Committee to offering as an amendment to the social security bill, the House Ways and Means Committee version of the Trade Act of 1970. We earnestly solicit your support of that procedure.

CLAUDE RAMSEY,
President, American Enka Corp.

WILMINGTON, DEL., *October 8, 1970.*

Hon. RUSSELL B. LONG,
Old Senate Office Building,
Washington, D.C.:

Reports from Washington indicate the House Ways and Means Committee version of the Trade Act of 1970 will be offered in the Finance Committee as an amendment to the social security bill so as to assure enactment of trade legislation this session. The DuPont Company urges you to support this procedure. This trade legislation reflects a careful balancing of interests reached after extensive hearings in the House and is urgently needed.

DAVID H. DAWSON,
Vice President, DuPont Co.

RED BANK, N.J., *October 13, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.

Please vote in favor of the atachment of trade legislation to the pending social security bill now before the Senate Finance Committee.

EXECUTIVE BOARD AND MEMBERS OF LOCAL, No. 130, ILGWU,
HOWARD ROTHSTEIN, *Manager.*

PASSAIC, N.J., *October 13, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

In the name of our membership of Local No. 158 ILGWU consisting of 2,500 members we urge you to please vote in favor the attachment of trade legislation to the pending social security bill now pending before the Senate Finance Committee.

LOUISE DURANTE,
Chairman, Local No. 158 ILGWU.

PATERSON, N.J., *October 13, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Commitee,
Senate Office Building, Washington, D.C.

The executive board of Local 161, International Ladies Garment Workers Union urgently recommends that the social security bill and the trade bill be taken up as a single measure and reported as such to the Finance Committee, respectfully.

OTTO HLAVACEK,
Manager, Local No. 161, ILGWU.

TELEGRAMS—Continued

UNION CITY, N.J., *October 12, 1970.*

RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

Representing over 9,000 garment workers we urgently recommend that the social security bill and the trade bill be taken up as a single measure and reported as such to the Finance Committee.

EXECUTIVE BOARDS LOCALS NOS. 133, 148, 162.

NEW YORK, N.Y., *October 12, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Urge you to vote for trade bill and social security as single measure essential for welfare of garment workers throughout Nation.

JOSEPH KESSLER,
Manager, Secretary, Local 20, ILGWU.

UTICA, N.Y., *October 12, 1970.*

RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Local 345, International Ladies Garment Workers Union AFL-CIO in Utica area strongly recommends that you vote in favor of joint consideration of the trade bill and social security amendments as a single measure. There is little time to waste as imports are mounting and negatively affect job opportunities of garment workers.

MARTIN BERGER,
District Manager, ILGWU.

ORANGE, N.J., *October 13, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Our local urgently recommends that the social security bill and the trade bill be taken up as a single measure and reported as such to the Finance Committee.

JACK SCHLESINGER,
Manager, Local 221 ILGWU.

SCRANTON, PA., *October 13, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

National interest requires consideration of the social security bill coupled with the trade bill as part of a single measure by the Finance Committee. On behalf of the Scranton District Council International Ladies Garment Workers Union I urge your assistance in this matter.

JACK SOBEL,
District Manager.

PROVIDENCE, R.I., *October 14, 1970.*

Senator RUSSELL LONG,
Chariman, Finance Committee,
Senate Office Building,
Washington, D.C.:

Urge your assistance in matter of consideration of social security bill coupled trade bill as single measure by finance committee.

OSCAR NEWMAN,
District Manager ILGWU.

TELEGRAMS—Continued

NEWARK, N.J., *October 13, 1970.*

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.:

Please vote in favor of the attachment of trade legislation to the pending Social Security bill now pending before the Senate Finance Committee.

EXECUTIVE BOARD LOCAL 21,
SAM PATTI, *Manager.*

NEWARK, N.J., *October 13, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.:

Please vote in favor of the attachment of trade legislation to the pending Social Security bill now pending before the Senate Finance Committee.

EXECUTIVE BOARD LOCAL 135.
SAM PATTI, *Manager.*

CARTERET, N.J., *October 13, 1970.*

Hon. RUSSELL LONG,
U.S. Senate,
Senate Building,
Washington, D.C.:

Present trade bill contains provision very harmful to independent wire drawer and other small businesses, especially those in dual distribution industries. Hope you will consider amendment allowing small businesses who have their raw material cut off by Tariff Commission escape clause action the right to appeal to SBA for release.

NORMAN GELLER,
Vice President, Republic Wire Corp.

CHICAGO, ILL., *October 13, 1970.*

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Present trade bill contains provisions very harmful to independent wire drawers and other small businesses, especially those in dual distribution industries. Hope you will consider amendment allowing small businesses who have escape clause action the right to appeal to Small Business Administration for relief.

WILSON STEEL & WIRE CO.
C. J. LEE, *President.*

WESTFIELD, MASS., *October 13, 1970.*

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Present trade bill contains provisions very harmful to independent wire drawers and other small businesses especially those in dual distribution industries. Hope you will consider amendment allowing small businesses who have their raw materials cut off by Tariff Commission escape clause action the right to appeal to Small Business Administration for relief.

E. D. BRYANT,
President, Bryant Machine Co.

TELEGRAMS—Continued

NEW ORLEANS, LA., *October 12, 1970.*

Senator RUSSELL B. LONG,
Senate Office Building,
Washington, D.C.:

Present trade bill contains provisions very harmful to independent wire drawers and other small businesses. Especially harmful to those in dual distribution industries. Hope you will consider amendment to allow the right to appeal to SBA for relief to small businesses who have their raw materials cutoff by Tariff Commission escape clause action. Your support of such amendment earnestly requested.

KENNETH F. MAGEE,
Vice President, Primary Steel, Inc.

WASHINGTON, D.C., *October 12, 1970.*

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
New Senate Office Building,
Washington, D.C.:

Present trade bill contains provisions very harmful to independent wire drawers and other small businesses especially those in dual distribution industries. Hope you will consider amendment allowing small businesses who have their raw materials cut off by Tariff Commission escape clause action the right to appeal to Small Business Administration for relief.

F. C. MUNTWYLER,
President, Independent Wire Drawers Association.

CHICAGO, ILL., *October 12, 1970.*

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee,
U.S. Senate,
Washington, D.C.:

Trade bill presently under consideration by Senate contains very harmful provisions to independent wire drawers and many other small businesses particularly those competing in ual distribution areas. Would like your help in considering amendment which would allow small businesses who have their raw material cut off or curtailed by Tariff Commission escape clause the right to appeal to Small Business Administration for relief. Thank you for past help.

F. C. MUNTWYLER,
President, Independent Wire Drawers Association.

NEW ORLEANS, LA., *October 13, 1970.*

Senator RUSSELL LONG,
Old Senate Office Building,
Washington, D.C.:

Escape clause provisions in the Trade bill before the Senate Finance Committee are potentially damaging to our company and other small businesses particularly those in dual distribution industries like our own. We ask for an amendment to this bill which would allow small businesses who have their raw material sources cut off due to tariff commission escape clause action to appeal to the Small Business Administration for relief. In our view such an amendment is necessary and proper and we request your support.

R. K. TUDOR,
Southeast Steel & Wire Corp.

TELEGRAMS—Continued

ST. CHARLES, MO., *October 12, 1970.*

Hon. RUSSELL LONG,
Chairman, Finance Committee,
Washington, D.C.:

DEAR SENATOR LONG: The Garment Workers of this Nation urgently request your support and the support of your committee for the passage of the Trade bill which is now being considered jointly with social security amendments.

JERRY PERLSTEIN,
Manager, Northern Missouri, Minnesota, and Iowa District Council, International Ladies Garment Workers Union.

BALTIMORE, MD., *October 13, 1970.*

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.:

Present trade bill contains provisions very harmful to independent wire drawers and other small businesses especially those in dual distribution industries. Hope you will consider amendment allowing small businesses who have their raw materials cut off by Tariff Commission escape clause action the right to appeal to Small Business Administration for relief.

RAY C. FAUST,
President, National Wire Products Corp.

NEW ORLEANS, LA., *October 13 , 1970.*

Senator RUSSELL B. LONG,
Old Senate Office Building,
Washington, D.C.:

Trade bill escape clause provision can be harmful to small industries employing many of our members. We support proposed amendment to allow affected small businesses appeal to Small Business Administration for relief from Tariff Commission escape clause which restricts their sources of raw material.

CHARLES D. WINTERS,
President Teamsters Local 730.

RIVERSIDE, CALIF.

Senator RUSSELL B. LONG,
Senate Office Building,
Washington, D.C.:

Present trade bill contains provisions very harmful to independent wire drawers such as ourselves and other small businesses in dual distribution industries. Hope you will consider favorably amendment allowing small businesses who have their raw materials cut off by Tariff Commission escape clause action, the right to appeal to Small Business Administration for prompt relief.

JAMES E. SMITH,
General Steel & Wire Co., Inc.

CHATTANOOGA, TENN., *October 14, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
New Senate Building,
Washington, D.C.:

Present trade bill contains provisions very harmful to independent wire drawers and other small businesses especilly those in dual distribution industries. Hope you will consider amendment allowing small businesses who have their raw materials cut off by Tariff Commission escape clause action, the right to appeal to Small Business Administration for relief.

CHARLES T. ROBINSON,
Cumberland Corp.

TELEGRAMS—Continued

LOS ANGELES, CALIF., *October 14, 1970.*

Senator RUSSELL B. LONG,
U.S. Senate,
Washington, D.C.:

Present trade bill contains provisions very harmful to independent wire drawers and to small business, especially those in dual distribution industries. Hope you will consider amendment allowing small business to have their raw materials cut off by Tariff Commission escape clause action, the right to appeal to Small Business Administration for release.

JAMES L. WALKER,
President, Davis Wire Corp.

JACKSONVILLE, FLA., *October 14, 1970.*

Senator RUSSELL B. LONG,
Senate Building,
Washington, D.C.:

Present trade bill contains provisions very harmful to independent wire drawers and other small businesses especially those in dual distribution industries. Hope you will consider amendment allowing small businesses who have their raw material cut off by Tariff Commission escape clause action, the right to appeal to Small Business Administration for relief.

D. M. BISPLINGHOFF,
Vice President, Container Wire Products Co.

DALLAS, TEX., *October 14, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Building, Washington, D.C.:

Present trade bill contains provisions very harmful to independent wire drawers and other small businesses especially those in dual distribution industries. Hope you will consider amendment allowing small businesses who have their raw materials cut off by Tariff Commission escape clause action the right to appeal to Small Business Administration for relief.

HALCO FENCE & WIRE CO.

HARRODSBURG, KY., *October 12, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

We urgently request your vote together should be for trade bill considered together with social security amendment. We the garment workers of ILGWU Local 584 need this very badly as do all other workers of the Nation.

ETHEL LAY,
Financial Secretary, Mercer Dress.

BRUNSWICK, GA., *October 12, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

We urge you to vote for trade bill as part of social security amendment. This legislation is of great importance to all garment workers in Georgia and the United States whose jobs are affected by imports.

MARGARET WILKERSON,
President, Local 519, International Ladies Garment Workers Union.

TELEGRAMS—Continued

BRIDGEPORT, CONN., *October 13, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

We, the 2,000 cloak makers of Local 141 and 147, International Ladies Garment Workers Union of the State of Connecticut, urge you to please vote in favor of the attachment of trade legislation to the pending social security bill now pending before Senate Finance Committee.

FRANK TRYOKOSKI,
Manager of Locals 141 and 147.

NASHVILLE, TENN., *October 13, 1970.*

Hon. RUSSELL LONG,
Chairman Senate Office Building,
Washington, D.C.:

I urge you to vote for the trade bill as part of the social security amendment, we need legislation that will protect the garment workers who are affected by import.

MARY B. CAMERON,
State Director,
Tennessee International Ladies Garment Workers Union.

NEW YORK, N.Y., *October 13, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.:

Garment workers in the United States urgently need legislatures action to safeguard them from mounting imports that threatened their jobs. In view of the pressing problem recommend that the trade bill be considered together with social security amendment.

GEORGE H. IRVINE, *Manager.*

NEW YORK, N.Y., *October 13, 1970.*

RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.:

Garment workers have been increasingly affected by rising imports. The situation is critical.

Recommend therefore that you vote in favor of attaching the trade bill to the social security amendments now considered by the Committee on Finance.

E. HOWARD MOLISAN,
Manager, Secretary, Local 48 ILGWU.

NEW YORK, N.Y., *October 13, 1970.*

RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.:

National interest requires immediate consideration of the social security bill coupled with the trade bill as part of a measure by the Finance Committee on behalf of the 10,000 members of Local 91 of the International Ladies Garment Workers Union. May I urge your assistance in this matter.

EDWARD SCHNEIDER,
Manager, Secretary, Local 91, ILGWU.

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TELEGRAMS—Continued

UNION CITY, N.J., *October 13, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.:

Representing some 5000 workers of Local 133 ILGWU in the Hudson and Bergen Counties in New Jersey we urge you to vote in favor of the attachment of trade legislation to the pending social security bill now pending before the Senate Finance Committee.

MATTY VERRILLI, *President.*
CARMELLA MCCARTHY, *Secretary.*

JAMAICA, N.Y.,
October 13, 1970.

RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.:

Representing 2,500 members of the International Ladies Garment Workers Union in Queens, Nassau, and Suffolk County, New York, I respectfully request that you vote in favor of the attachment of trade legislation to the pending social security bill now pending before the Senate Finance Committee.

IRVING ASTROW, *Manager, Local 129.*

LOS ANGELES, CALIF., *October 12, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.:

The L. A. Cloak Joint Board, ILGWU, representing 3,000 members strongly urges you to vote in favor of the attachment of trade legislation to the pending social security bill now before the Senate Finance Committee.

LOS ANGELES CLOAK JOINT BOARD, ILGWU,
I. STENZOR, *General Manager.*

Los Angeles, Calif., October 12, 1970.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.:

On behalf of the thousands of our members ad their families we seek your cooperation and approval for the attachment of trade legislation to the social security bill now pending before your committee.

LOS ANGELES DRESS & SPORTSWEAR JOINT BOARD, ILGWU,
LOCALS 84, 96, 97, 266, 482, 496, AND 451,
SAM SCHWARTZ, *Manager.*

LOCAL 35, ILGWU,
New York, N.Y., October 13, 1970.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

The welfare of garment workers affected by serious increases in imports while domestic production and employment are in doldrums. Recommend consideration of the trade bill jointly with social security amendments.

MORRIS KOVLER, *Manager.*

TELEGRAMS—Continued

INTERNATIONAL LADIES GARMENT WORKERS UNION,
Cleveland, Ohio, October 12, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

The garment workers in our country urgently request your favorable vote for trade bill consideration jointly with the social security amendment.

SAM JANIS,
Regional Director Vice President.

LOCAL 408 GARMENT WORKERS,
Fayetteville, Tenn., October 12, 1970.

Hon. RUSSELL LONG,
Chairman, U.S. Senate,
Washington, D.C.:

Urge your vote for trade bill as part of the social security amendment legislation of paramount significance to all garment workers whose jobs are affected by imports.

TENN CHRISTINE SPECK, COPE *Chairman.*

Mount Airy, N.C., October 12, 1970.

Hon. RUSSELL B. LONG,
U.S. Senate,
Washington, D.C.:

Urge your total support of H.R. 18970 Trade Act of 1970 addendum to social security bill before Senate Finance Committee. We cannot afford to lose any more apparel jobs.

WILLIAM K. WOLTZ.

CLEVELAND JOINT BOARD ILGWU,
Cleveland, Ohio, October 12, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

We request that you vote for the trade bill added to the social security bill. This legislation is urgently needed for the protection of American garment workers whose jobs are threatened by foreign imports.

JAMES CARMODY, *President.*

LOCAL 98 ILGWU,
New York, N.Y., October 12, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Your vote urgently requested for trade bill consideration jointly with social security amendment. Needed badly by garment workers of this Nation.

HERBERT POKODNER, *Manager.*

NATIONAL ASSOCIATION OF BLOUSE MANUFACTURERS.
New York, N.Y., October 12, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Officers, board of governors and membership of National Association of Blouse Manufacturers strongly urge the passing of the trade bill curbing imports from the Orient. Apparel industry has been seriously affected by avalanche of goods coming into the States from these sources causing closedowns of local and surrounding producing plants and widespread liquidation of businesses. Immediate affirmative action needed to halt this unfair competition.

L. D. HAMMER, *Manager.*

TELEGRAMS—Continued

LOCAL 472 ILGWU,
Lebanon, Ky., October 12, 1970.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

We urgently request your vote for trade bill consideration together with social security amendment. All garment workers in Kentucky need this bill very badly as well as all the rest of our Nation.

RUTH KEELING, *Secretary.*

LOCAL 154 INTERNATIONAL LADIES GARMENT WORKERS UNION,
Staten Island, N.Y., October 12, 1970.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Garment workers in the United States urgently need legislative action to safeguard them from mounting imports that threaten their jobs. In view of the pressing problem recommend that the trade bill be considered together with social security amendments.

M. PRIMACK, *Manager.*

CORSET AND BRASSIERE WORKERS UNION LOCAL 32 ILGWU,
New York, N.Y., October 12, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

The importance of the trade bill is such that it should be considered part and parcel of the social security bill. It is of great concern to garment workers suffering from the influx of imports. I urge your support of this bill.

JULUIS RAMIEREZ, *Manager.*

LOCAL 562, ILGWU,
Cleveland, Ohio, October 12, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Garment workers of America ask for your vote for the trade bill to be considered jointly with the social security bill.

RUBY HUNTER, *President.*

LOCAL 545, ILGWU,
Cleveland, Ohio, October 12, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

We request you vote for the trade bill and social security bill for the protection of garment workers in the United States.

H. DOROTHY RHODES, *President.*

LOCAL 590, ILGWU,
Cleveland, Ohio, October 12, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

American Garment Workers request your favorable vote on the trade bill along with the social security bill.

RUTH KEENE, *President.*

TELEGRAMS—Continued

INTERNATIONAL LADIES GARMENT WORKERS UNION,
Bardstown, Ky., October 12, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Your vote urgently requested for trade bill consideration together with social security amendment needed badly by garment workers in Kentucky as well as the other States.

MRS. ALTA YOUNG.

ALABAMA APPAREL INDUSTRIES,
Montgomery, Ala.

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

As president of the Alabama Apparel Industries Association I wish to let you know of our support of H.R. 18970 the Trade Act of 1970 and respectfully request you to use all your influence to have the bill reported favorably by the Senate Finance Committee as soon as possible as an amendment to the social security amendment bill now pending in your committee. Your cooperation is most sincerely appreciated.

Sincerely,

HOWARD SIMON, *President.*

LOCAL 540 ILGWU,
Cleveland, Ohio, October 12, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

American garment workers request your affirmative vote for the trade bill jointly with the social security bill.

MARJORIE FLUHARTY.

LOCAL 481, LADIES GARMENT,
Glasgow, Ky., October 12, 1970.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

DEAR SIR: We would like to urge you to vote in favor of trade bill consideration together with the social security amendment. These bills needed badly by all Garment Workers of America.

C. G. MORRISON, *Secretary.*

LOCAL 62 ILGWU,
New York, N.Y., 12, 1970.

RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Garment workers increasingly affected by rising imports situation critical therefore recommend you vote in favor of attaching trade bill to social security amendment now being considered by the Committee on Finance with appreciation.

MATTHEW SCHOENWALD, *Manager.*

TELEGRAMS—Continued

LOCALS 57, 77, ILGWU,
Jamaica, N.Y., October 12, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

On behalf of the Queens and Nassau County Locals 57 & 77 ILGWU and its membership who are employed in producing garments for women and children we request your support for passage of trade bill together with social security amendment as part of the same measure national interest demands that this be done.

RICHARD R. CERBONE, *Manager.*

DRESS JOINT BOARD, ILGWU,
Philadelphia, Pa., October 12, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

We urge you to vote for the trade bill and the social security bill as a single measure essential for the welfare of garment workers throughout the Nation.

WILLIAM ROSS, *Manager.*

LOCAL 23-25, ILGWU,
New York, N.Y., October 12, 1970.

RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

The welfare of garment workers affected by serious increase of imports while domestic production and employment are in doldrums. Recommend the consideration of the trade bill jointly with social security amendment.

SHELLEY APPLETON, *Vice President.*

LOCAL 500, ILGWU,
Cleveland, Ohio, October 12, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Your affirmative vote for the trade bill along with the social security bill is urgently needed by workers in the American Garment Industry.

JOANN HUTRAS.

SOUTHERN MISSOURI ARKANSAS DISTRICT,
COUNCIL ILGWU,
Little Rock, Ark., October 12, 1970.

Senator RUSSELL LONG,
Chairman, Finance Committee,
Washington, D.C.

DEAR SENATOR LONG: Your vote urgently requested for trade bill consideration jointly with social security. Amendment needed badly for garment workers of this Nation.

Sincerely,

RIALDO PANETTA, *Manager.*

LOCAL 308, ILGWU,
Cartersville, Ga., October 13, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

We urge you to vote for the trade bill as part of the social security amendment. This legislation is of great importance to all garment workers in Georgia and the United States whose jobs are affected by imports.

J. E. COKER, *President.*

TELEGRAMS—Continued

DRESS AND WAIST PRESSERS UNION,
LOCAL 60–60A ILGWU,
New York, N.Y., October 13, 1970.

Senator RUSSELL B. LONG,
Chairman, Finance Committee,
Washington, D.C.:

Strongly urge your vote for the trade bill as part of the social security amendments. Legislation is of paramount significance to all garment workers whose jobs are affected by imports.

SIDNEY GOOD, *Manager-Secretary.*

UNITED TEXILE WORKERS OF AMERICA,
Asheville, N.C., October 13, 1970.

Senator RUSSELL B. LONG,
Chairman, Finance Committee,
Washington, D.C.:

We urge your support of bill H.R. 1870 as an amendment to social security legislation. We urge earliest possible committee action. This bill is vital to the textile workers job and the well being of the industry.

ROY S. WHITMIRE,
Southern Codirector.

DRESSMAKERS UNION LOCAL 22, ILGWU,
New York, N.Y., October 13, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

On behalf of the Dressmakers Union Local 22 ILGWU representing 12,000 workers employed in the manufacture of clothes for women and children, we want you to know that we are seriously affected by mounting imports. The situation is critical. For this reason we strongly urge you to vote in favor of joint consideration of the trade bill together with social security amendments now pending before the Senate Finance Committee.

ISRAEL BRESLOW, *Secretary-Manager.*

TRENTON, N.J., *October 13, 1970.*

Sen. RUSSELL B. LONG,
Chairman, Finance Committee,
Senate Office Building, Washington, D.C.:

National interest requires consideration of the social security bill coupled with the trade bill as part of a single measure by the finance committee. Urge your assistance in this matter.

ANTHONY MORGANO, *District Manager,*
District Council, Local 721–228 ILGWU.

JACKSON, TENN., *October 13, 1970.*

Hon. RUSSELL LONG,
Senate Office Building,
Washington, D.C.:

I urge your vote for trade bill as part of social security. This legislation is of great significance to all garment workers.

Mrs. LILLIAN KOLWYCK,
Vice President, State Labor Council.

TELEGRAMS—Continued

NEW YORK, N.Y., *October 13, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.,

Popular Priced Dress Manufacturers Group, Inc., the largest association of dress manufacturers which is comprised of approximately 200 companies engaged in the manufacture of volume priced women's dresses in the United States urges you and your committee to take favorable action in attaching the new trade bill to the social security bill now pending before your committee. Immediate action on the trade bill is absolutely necessary in order that proper protections be afforded to American industry. Any delay past this session of Congress could have disastrous results upon the apparel industry because of the uncontrolled and uninterrupted influx of imports.

NAT BORISKIN, *Executive Director.*

NEW YORK, N.Y., *October 13, 1970.*

RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

The members of the Cutters Union Local 10 of the I.L.G.W.U. strongly solicit your support for the passage by the Senate Finance Committee of the social security amendments coupled with appropriate trade legislation. Mounting imports of closing in parallel jobs in these critical times. Your help in stopping job erosion in our industry is of paramount importance.

ABE DOLGEN, *Manager-Secretary.*

NEW YORK, N.Y., *October 13, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

In the name of the Cloak and Suit Operators Union Local 117 I.L.G.W.U. and the 3,000 members whom we represent, we urge you to please vote for the trade bill as part and parcel of the social security amendments now pending before your committee and which is essential to national welfare and the welfare of the garment workers.

NAT WINDMAN, *Manager-Secretary,*
MOE ZIMMERMAN, *Chairman,*

OCTOBER 13, 1970.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Over 5,000 members of the joint board, Cloak, Skirt and Dressmakers Union have been increasingly affected by rising imports. The situation is critical. Recommend therefore, that you vote in favor of attaching the trade bill to the social security amendments now considered by the Committee on Finance.

PHILIP KRAMER,
Manager, Boston Joint Board ILGWU.

TELEGRAMS—Continued

NEW YORK, N.Y., OCTOBER 13, 1970.

RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Garment workers in United States urgently need legislative action to safeguard them from mounting imports that threaten their jobs. In view of pressing problem recommend that the trade bill be considered jointly with social security amendments.

A. FRANK GATTI,
Manager Local 64 ILGWU.

NEW YORK, N.Y., *October 13, 1970.*

HON. RUSSELL LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

As representative for 200 manufacturers producing over 60 percent of U.S. productions of women's coats and suits and employing 40,000 manufacturing workers members of International Ladies Garment Workers Unions we urge your committee's prompt action this session favoring trade bill as approved by House Ways and Means Committee in order to safeguard our American industry and American wage earners from damaging competition of low wage countries.

RICHARD B. LEAVY,
Manager, New York Coat & Suit Association, Inc.

TOCCOA, GA., *October 13, 1970.*

Hon. RUSSELL B. LONG,
Chairman of Senate Finance Committee,
Office Building, Washington, D.C.:

The officers and members of the International Ladies Garment Workers Union request you support the trade bill of the social security amendment. The garment workers of Georgia are affected by all imports.

LUCILLE SENKBEIL, *President.*

ELBERTON, GA., *October 13, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Commission,
Senate Office Building, Washington, D.C.:

We urge you to vote for bill as part of social security amendment. This legislation is of great importance to all garment workers in Georgia and United States where jobs are affected by imports.

SARA BOWEN,
President, Local 574, International Ladies' Garment Workers' Union.

DUQUOIN, ILL., *October 13, 1970.*

Senator RUSSELL LONG,
Chairman, Finance Committee,
Senate Office Building, Washington, D.C.:

Your vote urgently requested for trade bill consideration jointly so social security amendment needed badly for garment workers of this Nation.

MILDRED WADE,
Southern District Council ILGWU.

CANTON, GA., *October 13, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
New Senate Office Building, Washington, D.C.:

Urge you use your influence to attach the trade bill as a rider to the social security bill. One Canton plant now shut down, employing 800 plus, as compared with 1,200 plus before increase in low-wage foreign textile imports. Thank you for your consideration and support.

LOUIS L. JONES, Jr.,
President, Canton Textile Mills, Inc.

TELEGRAMS—Continued

NEW YORK, N.Y., *October 13, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Please vote in favor of the attachment of trade legislation of the pending social security bill now pending before the Senate Finance Committee.

WILLIAM SCHWARTZ,
Manager, Local AYY I.L.G.W.U.

NEW YORK, N.Y., *October 13, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

We urge you to support the adoption of the trade bill regulating imports of textiles and apparel together with social security amendments now under consideration by the Finance Committee essential to safeguard jobs of men and women working in this domestic industry from the ravages caused by imports. Thank you.

DOUGLAS LEVIN,
Manager, Office and Distribution Employees Union, Local 99, ILGWU.

WEST HAVERSTRAW, N.Y., *October 13, 1970.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Orderly imports of textile and apparel goods required. Trade Act of 1970—H.R. 1797—will provide necessary help. Please report it out of your committee this session.

G. C. RICHMOND,
U.S. Plastic and Chemical Corp.

OTTAWA, KANS., *October 13, 1970.*

Senator RUSSELL LONG,
Chairman, Finance Committee,
Senate Office Building, Washington, D.C.:

Your vote for trade bill and social security amendment urgently needed by all garment workers of this nation.

WAUNITA PLATT,
President, Mo-Ken-Neb District Council ILGWU.

NEW YORK, N.Y., *October 13, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Affiliated Dress Manufacturers, Inc., an association made up of approximately 150 companies engaged in the manufacturing of higher priced women's dresses in the United States urges you and your committee to take favorable action in attaching the new trade bill to the social security bill now pending before your committee. Immediate action on the trade bill is absolutely necessary in order that proper protections be afforded to American industry. Any delay past this session of Congress could have disastrous result upon the apparel industry because of the uncontrolled and uninterrupted influx of imports.

ALEX REDIN, *Executive Director.*

TELEGRAMS—Continued

NEW YORK, N.Y., *October 13, 1970.*

RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Your vote for social security amendments coupled with the trade bill is of great importance to workers in this nation particularly in the garment industry.

JOSHUA FOGEL,
Manager, Local 82 ILGWU 340.

BALTIMORE, MD., *October 13, 1970.*

Hon. RUSSELL LONG,
Senate Office Building,
Washington, D.C.:

Your assistance is urgently solicited in assuring the passage of the social security amendments together with the trade legislation as part of a single bill to be reported by the Senate Finance Committee our organization and our members employed in the manufacture of women's and children's garments is vitally concerned that this be done.

ANGELA BAMBACE,
Vice President, International Ladies' Garment Workers' Union.

MADISONVILLE, TENN., *October 13, 1970.*

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Urge your vote for the trade bill as part of the social security amendment legislative of parchment significance to all garment workers whose jobs are affected by imports.

OFFICERS AND MEMBERS OF LOCAL 444 ILGWU,
Madisonville, Tenn.

NEW YORK, N.Y., *October 13, 1970.*

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.:

Our trade association is comprised of and represents 375 dress contracting firms employing 18,000 workers who are members of the ILGWU. The low wages of other countries exporting wearing apparel to the United States are having a disastrous effect upon our industry. We, therefore, strongly urge that you and your committee act favorably on the trade bill as approved by the House Ways and Means Committee (the Honorable Wilbur Mills, Chairman), so that we safeguard the livelihoods of the workers in our industry. Prompt action at this session is urgently needed as the very survival of the garment industry is at stake.

ARNOLD SCHWEDOCK,
Executive Director, Popular Price Dress Contractors Association, Inc.

WILKES-BARRE, PA., *October 13, 1970.*

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.:

Our trade association is comprised of and represents 175 dress contracting firms employing 15,000 workers who are members of the ILGWU. The low wages of other countries exporting wearing apparel to the United States are having a disastrous affect upon our industry. We are one of the largest industries in northeastern Pennsylvania and are the mainstay of the economy of the formally distressed area. We, therefore, strongly urge that you and your committee act favorably on the trade bill as approved by the House Ways and Means Committee "The Honorable Wilbur Mills, Chairman," so that we safeguard the livelihood of the workers in our industry. Prompt action at this session is urgently needed as the very survival of the garment industry is at stake.

LOUIS CARTER,
President, Associated Independent Dress Makers of Pennsylvania.

TELEGRAMS—Continued

HENDERSON, TENN., *October 13, 1970.*

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.:

Urge your vote for trade bill as part of social security amendment legislation of paramount significants to all garment workers whose job are effected by imports.

GEN. PICKET,
Chester Fullington Local 478, Scottshill, Tenn.

BLADENSBURG, MD., *October 13, 1790.*

Senator RUSSELL LONG,
Senate Finance Committee,
Senate Building, Washington, D.C.:

Present trade bill contains provisions very harmful to our company and others who are competing with big steel corporations engaged in dual distribution. If our supply of raw steel is cut off by the Tariff Commission escape clause action we must have right to appeal to SBA for relief. Thousands of U.S. workers are employed nationwide in independent steel fabricating firms such as ours. Please protect us

CLYDE A. LONG,
President, National Fence Manufacturing Co., Inc.

JAMESTOWN, N.C., *October 13, 1970.*

Hon. RUSSELL LONG,
Senate Office Building,
Washington, D.C.:

Present trade bill contains provision very harmful to independent wire drawers and other small businesses, especially in dual distribution industries. Hope you will consider amendment allowing small businesses to have raw materials cut off by Tariff Commission escape clause action the right to appeal to Small Business Administration for relief.

POWERS WIRE STAPLE CO.,
E. E. BARNES.

TULSA, OKLA, *October 13, 1970.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Our organization strongly opposes any attempt to part of Senate Finance Committee to tack the trade bill to the social security bill now before the committee. The joining of totally unrelated bills is unwarranted and would not allow adequate hearings on this legislation.

The Metropolitan Tulsa Chamber of Commerce also favors separation of DISC from 1970 trade legislation as we feel this proposal has great merit in furthering the Nation's export position.

DON TURNER,
President, Metropolitan Tulsa Chamber of Commerce.

TELEGRAMS—Continued

OAK GROVE, LA., *October 9, 1970.*

Hon. RUSSELL B. LONG,
Senate Office Building, Washington, D.C.:

Re Trade Act of 1971, the Louisiana Soybean Association representing the soybean growers of Louisiana is concerned that restrictive action such as that proposed in the Trade Act of 1970 may limit the potential for increased sale of soybeans and soybean products in one of two ways by retaliation in the form of new trade barriers or by lack of funds with which to buy because of reduced trade currency, approximately 95 percent of all soybeans grown in Louisiana are exported and any restrictions in the export of soybeans would seriously affect Louisiana farmers in addition to the large export of soybeans through our ports at New Orleans and Baton Rouge. It is our hope that trade restrictions can be eliminated or reduced considerably.

HARRY R. HENDERSON,
President Louisiana Soybean Association.

APPENDIX A

91st CONGRESS
2d Session

H. R. 17550

IN THE SENATE OF THE UNITED STATES

September 18, 1970
Referred to the Committee on Finance and ordered to be printed

AMENDMENT

Intended to be proposed by Mr. Hollings to H.R. 17550, an Act to amend the Social Security Act to provide increases in benefits, to improve computation methods, and to raise the earnings base under the old-age, survivors, and disability insurance system, to make improvements in the medicare, medicaid, and maternal and child health programs with emphasis upon improvements in the operating effectiveness of such programs, and for other purposes, viz: At the end of the bill insert the following new sections:

TITLE I—AMENDMENTS TO THE TRADE EXPANSION ACT OF 1962

CHAPTER 1—TRADE AGREEMENTS

SEC. 101. BASIC AUTHORITY FOR TRADE AGREEMENTS.

(a) Section 201 (a) (1) of the Trade Expansion Act of 1962 (19 U.S.C. 1821 (a) (1)) is amended by striking out "July 1, 1967" and inserting in lieu thereof "July 1, 1973".

Amdt. No. 925 (Amdt. 1009 introduced by Senator Thurmond is identical with this amendment)

(b) Section 201 (b) (1) of such Act is amended to read as follows:

"(1) decreasing any rate of duty—

"(A) in order to carry out a trade agreement entered into before July 1, 1967, to a rate below 50 percent of the rate existing on July 1, 1962; or

"(B) in order to carry out a trade agreement entered into after June 30, 1967, and before July 1, 1973, to a rate below the lower of—

"(i) the rate 20 percent below the rate existing on July 1, 1967; or

"(ii) the rate 2 percent ad valorem (or ad valorem equivalent) below the rate existing on July 1, 1967; or".

(c) Sections 202, 211 (a) and (e), 212, 213 (a), and 221 of such Act are each amended by striking out "201 (b) (1)" and inserting in lieu thereof "201 (b) (1) (A)".

(d) Section 256 of such Act (19 U.S.C. 1886) is amended by adding at the end thereof the following new paragraph:

"(8) The term 'existing on July 1, 1967', as applied to a rate of duty, refers to the lowest nonpreferential rate of duty (however established, and even though temporarily suspended by Act of Congress or otherwise) existing on such date or (if lower) the lowest nonpreferential rate to which the United States was committed on July 1, 1967, and with respect to which a proclamation was in effect on July 1, 1970."

SEC. 102. STAGING REQUIREMENTS.

(a) Section 253 (a) of the Trade Expansion Act of 1962 (19 U.S.C. 1883) is amended by striking out "trade agreement under this title" and inserting in lieu thereof "trade agreement entered into before July 1, 1967, under this title".

(b) Section 253 (c) of such Act is amended by striking out "trade agreement entered into under section 201 (a)" and inserting in lieu thereof "trade agreement entered into before July 1, 1967, under this title".

(c) Section 253 of such Act is amended by redesignating subsection (d) as subsection (e) and by inserting after subsection (c) the following new subsection:

"(d) Except as otherwise provided in section 254, the aggregate reduction in the rate of duty on any article which is in effect on any day pursuant to a trade agreement entered into under this title after June 30, 1967, and before July 1, 1973, shall not exceed the aggregate reduction which would have been in effect on such day if—

"(1) one-half of the aggregate reduction under such agreement for such article had taken effect on the date of the first proclamation pursuant to section 201 (a) to carry out such trade agreement, and

"(2) the remaining one-half of such aggregate reduction had taken effect 1 year after the date referred to in paragraph (1).

In applying the preceding sentence to any article, if, on the date referred to in paragraph (1) of the preceding sentence, there remained reductions pursuant to a prior trade agreement which had not yet taken effect, such remaining reductions shall be deemed to be included within the aggregate reduction under the trade agreement entered into after June 30, 1967, and before July 1, 1973."

(d) Subsection (e) of such section 253 (as redesignated by subsection (c) of this section) is amended—

(1) by striking out "a reduction takes effect" and inserting in lieu thereof "a reduction under any trade agreement entered into under this title takes effect"; and

(2) by striking out "subsection (c)" in paragraph (2) thereof and inserting in lieu thereof "subsection (c) or (d) (2)".

SEC. 103. FOREIGN IMPORT RESTRICTIONS AND DISCRIMINATORY ACTS.

(a) Section 252 (a) (3) of the Trade Expansion Act of 1962 (19 U.S.C. 1882 (a) (3)) is amended by striking out the word "agricultural" each place it appears.

(b) Section 252 (b) of such Act is amended by striking out "or" at the end of paragraph (1), by adding "or" at the end of paragraph (2), and by adding after paragraph (2) the following new paragraph:

"(3) provides subsidies (or other incentives having the effect of subsidies) on its exports of one or more products to other foreign markets which unfairly affect sales of the competitive United States product or products to those other foreign markets,".

(c) Section 252 (b) of such Act is further amended by striking out "or" at the end of clause (A), by striking out the period at the end of clause (B) and inserting in lieu thereof ", or", and by adding at the end thereof the following new clause:

"(C) notwithstanding any provision of any trade agreement under this Act and to the extent he deems necessary and appropriate, impose duties or other import restrictions on the products of any foreign country or instrumentality maintaining such nontariff trade restrictions, engaging in such acts or policies, or providing such incentives when he deems such duties and other import restrictions necessary and appropriate to prevent the establishment or obtain the removal of such restrictions, acts, policies, or incentives and to provide access for United States products to foreign markets on an equitable basis."

(d) Section 252 (c) of such Act is amended by striking out "President may" and inserting in lieu thereof "President shall".

(e) Section 252 (c) (1) of such Act is amended to read as follows:

"(1) impose duties or other import restrictions on, or suspend, withdraw, or prevent the application of trade agreement concessions to, products of such country or instrumentality, or".

(f) The heading of such section is amended to read as follows:

"SEC. 252. FOREIGN IMPORT RESTRICTIONS AND DISCRIMINATORY ACTS."

SEC. 104. DETERMINATIONS AND IMPORT ADJUSTMENTS FOR SAFEGUARDING NATIONAL SECURITY.

(a) The second sentence of section 232 (b) of the Trade Expansion Act of 1962 (19 U.S.C. 1862 (b)) is amended by striking out the period at the end thereof and inserting the following: ": *Provided, however,* That any adjustment of imports shall not be accomplished by the imposition or increase of any duty, or of any fee or charge having the effect of a duty."

((b) Section 232 (b) of such Act is further amended by adding at the end thereof the following new sentence: "In the case of any investigation under this subsection initiated by request or application, the Director shall make and announce the determination required by this subsection not later than 1 year after the date on which such request or application was made."

(c) The amendment made by subsection (b) shall apply with respect to requests or applications made to the Director of the Office of Emergency Preparedness under section 232 (b) of the Trade Expansion Act of 1962 on or after January 1, 1968; except that, in the case of such a request or application made more than 1 year before the date of the enactment of this Act, the determination required by such section 232 (b) shall be made on or before the 60th day after such date of enactment.

CHAPTER 2—TARIFF ADJUSTMENT AND ADJUSTMENT ASSISTANCE

SEC. 111. PETITIONS AND DETERMINATIONS.

(a) Section 301 of the Trade Expansion Act of 1962 (19 U.S.C. 1901) is amended to read as follows:

"SEC. 301. PETITIONS AND DETERMINATIONS.

"(a) (1) A petition for tariff adjustment under section 351 may be filed with the Tariff Commission by a trade association, firm, certified or recognized union, or other representative of an industry.

"(2) A petition for a determination of eligibility to apply for adjustment assistance under chapter 2 may be filed with the President by a firm or its representative, and a petition for a determination of eligibility to apply for adjustment assistance under chapter 3 may be filed with the President by a group of workers or by their certified or recognized union or other duly authorized representative. A petition filed under this paragraph by or on behalf of a group of workers shall apply only with respect to individuals who are, or who have been within 1 year before the date of filing of such petition, employed regularly in the firm involved.

"(b) (1) Upon the request of the President, upon resolution of either the Committee on Finance of the Senate or the Committee on Ways and Means of the House of Representatives, upon its own motion, or upon the filing of a petition under subsection (a) (1), the Tariff Commission shall promptly make an investigation to determine whether an article is being imported into the United States in such increased quantities, either actual or relative, as to contribute substantially (whether or not such increased imports are the major factor or the primary factor) toward causing or threatening to cause serious injury to the domestic industry producing articles like or directly competitive with the imported article.

"(2) In arriving at a determination under paragraph

(1), the Tariff Commission, without excluding other factors, shall take into consideration a downward trend of production, prices, profits, or wages in the domestic industry concerned, a decline in sales, an increase in unemployment or underemployment, an increase in imports, either actual or relative to domestic production, a higher or growing inventory, and a decline in the proportion of the domestic market supplied by domestic producers.

"(3) For purposes of paragraph (1), the term 'domestic industry producing articles like or directly competitive with the imported article' means that portion or subdivision of the producing organizations manufacturing, assembling, processing, extracting, growing, or otherwise producing like or directly competitive articles in commercial quantities. In applying the preceding sentence, the Tariff Commission shall (so far as practicable) distinguish or separate the operations of the producing organizations involving the like or directly competitive articles referred to in such sentence from the operations of such organizations involving other articles.

"(4) If a majority of the Commissioners present and voting make an affirmative injury determination under paragraph (1), the Commissioners voting for such affirmative injury determination shall also determine the amount of the increase in, or imposition of, any duty or other import restriction on such article which is necessary to prevent or remedy such injury. For purposes of this title, a remedy determination by a majority of the Commissioners voting for the affirmative injury determination shall be treated as the remedy determination of the Tariff Commission.

"(5) If a majority of the Commissioners present and voting make an affirmative injury determination under paragraph (1), the Commissioners voting for such affirmative injury determination shall make an additional determination under this paragraph which shall consist of determining (i) whether either the criteria in subparagraph (A) or the criteria in subparagraph (B) are met, and, if so, (ii) whether the criteria in subparagraph (C) are met.

"(A) Imports of the article under investigation constituted more than 15 percent of apparent United States consumption of the article in the first calendar year preceding the calendar year in which the investigation was instituted, the ratio of imports of such article to consumption for such first preceding calendar year increased absolutely by at least 3 percentage points over the corresponding ratio for the second calendar year preceding the calendar year in which the investigation was instituted, and the ratio of imports of such article to consumption for such first preceding calendar year increased absolutely by at least 5 percentage points over the corresponding ratio for the third calendar year preceding the calendar year in which the investigation was instituted.

"(B) As a result of increased imports (i) domestic production of the like or directly competitive product is declining or is likely to decline so as to substantially affect the ability of domestic producers to continue to produce the like or directly competitive product at a level of reasonable profit, and (ii) production workers' jobs, man-hours worked, or wages paid production workers in the domestic production of the like or directly competitive product are declining substantially or are likely to decline substantially.

"(C) (i) The imported article is offered for sale at prices which are substantially below those prevailing for like or directly competitive products of comparable quality produced in the United States and constitutes an increasing proportion of apparent domestic consumption, and (ii) the unit labor costs attributable to producing the imported article are substantially below those attributable to producing like or competitive articles in the United States.

For purposes of section 351 (a), the Tariff Commission shall be deemed to have made an additional affirmative determination under this paragraph if a majority of the

Commissioners voting for the affirmative injury determination under paragraph (1) determine that (i) the criteria in subparagraph (A) or the criteria in subparagraph (B) are met, and (ii) the criteria in subparagraph (C) are met.

"(6) In the course of any proceeding initiated under paragraph (1), the Tariff Commission shall investigate any factors which in its judgment may be contributing to increased imports of the article under investigation; and, whenever in the course of its investigation the Tariff Commission has reason to believe that the increased imports are attributable in part to circumstances which come within the purview of the Antidumping Act, 1921, section 303 or 337 of the Tariff Act of 1930, or other remedial provisions of law, the Tariff Commission shall promptly notify the appropriate agency and take such other action as it deems appropriate in connection therewith.

"(7) In the course of any proceeding initiated under paragraph (1), the Tariff Commission shall, after reasonable notice, hold public hearings and shall afford interested parties opportunity to be present, to present evidence, and to be heard at such hearings.

"(8) The Tariff Commission shall report to the President the determinations and other results of each investigation under this subsection, including any dissenting or separate views, and any action taken under paragraph (6).

"(9) The report of the Tariff Commission of its determinations under this subsection shall be made at the earliest practicable time, but not later than 6 months after the date on which the petition is filed (or the date on which the request or resolution is received or the motion is adopted, as the case may be). Upon making such report to the President, the Tariff Commission shall promptly make public such report, and shall cause a summary thereof to be published in the Federal Register.

"(10) No investigation for the purposes of this subsection shall be made, upon petition filed under subsection (a)(1), with respect to the same subject matter as a previous investigation under this subsection, unless 1 year has elapsed since the Tariff Commission made its report to the President of the results of such previous investigation.

"(c) (1) In the case of a petition by a firm for a determination of eligibility to apply for adjustment assistance under chapter 2, the President shall determine whether an article like or directly competitive with an article produced by the firm, or an appropriate subdivision thereof, is being imported into the United States in such increased quantities, either actual or relative, as to contribute substantially (whether or not such increased imports are the major factor or the primary factor) toward causing or threatening to cause serious injury to such firm or subdivision. In making such determination the President shall take into account all economic factors which he considers relevant, including idling of productive facilities, inability to operate at a level of reasonable profit, and unemployment or underemployment.

"(2) In the case of a petition by a group of workers for a determination of eligibility to apply for adjustment assistance under chapter 3, the President shall determine whether an article like or directly competitive with an article produced by such workers' firm, or an appropriate subdivision thereof, is being imported into the United States in such increased quantities, either actual or relative, as to contribute substantially (whether or not such increased imports are the major factor or the primary factor) toward causing or threatening to cause unemployment or underemployment of a significant number or proportion of the workers of such firm or subdivision.

"(3) In order to assist him in making the determinations referred to in paragraphs (1) and (2) with respect to a firm or group of workers, the President shall promptly transmit to the Tariff Commission a copy of each petition filed under subsection (a) (2) and, not later than 5 days after the date on which the petition is filed, shall request the Tariff Commission to conduct an investigation relating to questions of fact relevant to such determinations and to make a report of the facts disclosed by such investigation. In his request, the President may specify the particular kinds of data which he deems appropriate. Upon receipt of the President's request, the Tariff Commission shall promptly institute the investigation and promptly publish notice thereof in the Federal Register.

"(4) In the course of any investigation under paragraph (3), the Tariff Commission shall, after reasonable notice, hold a public hearing, if such hearing is requested (not later than 10 days after the date of the publication of its notice under paragraph (3)) by the petitioner or any other interested person, and shall afford interested persons an opportunity to be present, to produce evidence, and to be heard at such hearing.

"(5) The report of the Tariff Commission of the facts disclosed by its investigation under paragraph (3) with respect to a firm or group of workers shall be made at the earliest practicable time, but not later than 60 days after the date on which it receives the request of the President under paragraph (3)."

(b) (1) For purposes of section 301 (b) (1) of the Trade Expansion Act of 1962, reports made by the Tariff Commission during the 1-year period ending on the date of the enactment of this Act shall be treated as having been made before the beginning of such period.

(2) Any investigation by the Tariff Commission

under subsection (b) or (c) of section 301 of the Trade Expansion Act of 1962 (as in effect before the date of the enactment of this Act) which is in progress immediately before such date of enactment shall be continued under such subsection (b) or (c) (as amended by subsection (a) of this section) in the same manner as if the investigation had been instituted originally under the provisions of such subsection (b) or (c) (as so amended). For purposes of section 301 (b) (9) or (c) (5) of the Trade Expansion Act of 1962 (as added by subsection (a) of this section) the petition for any investigation to which the preceding sentence applies shall be treated as having been filed, or the request or resolution as having been received or the motion having been adopted, as the case may be, on the date of the enactment of this Act.

(3) If, on the date of the enactment of this Act, the President has not taken any action with respect to any report of the Tariff Commission containing an affirmative determination resulting from an investigation undertaken by it pursuant to section 301 (c) (1) or (2) of the Trade Expansion Act of 1962 (as in effect before the date of the enactment of this Act) such report shall be treated by the President as a report received by him under section 301 (c) (5) of the Trade Expansion Act of 1962 (as added by subsection (a) of this section) on the date of the enactment of this Act.

SEC. 112. PRESIDENTIAL ACTION WITH RESPECT TO ADJUSTMENT ASSISTANCE.

(a) Section 302(a) of the Trade Expansion Act of 1962 (19 U.S.C. 1902(a)) is amended to read as follows:

"(a)(1) If after receiving a report from the Tariff Commission containing an affirmative injury determination under section 301(b) with respect to any industry, the President provides tariff adjustment for such industry pursuant to section 351 or 352, he may—

"(A) provide, with respect to such industry, that its firms may request the Secretary of Commerce for certifications of eligibility to apply for adjustment assistance under chapter 2,

"(B) provide, with respect to such industry, that its workers may request the Secretary of Labor for certifications of eligibility to apply for adjustment assistance under chapter 3, or

"(C) provide that both firms and workers may request such certifications.

"(2) If after receiving a report from the Tariff Commission containing an affirmative injury determination under section 301(b) with respect to any industry the President does not provide tariff adjustment for such industry pursuant to section 351 or 352, he shall promptly provide that both firms and workers of such industry may request certifications of eligibility to apply for adjustment assistance under chapters 2 and 3.

"(3) Notice shall be published in the Federal Register of each action taken by the President under this subsection in providing that firms or workers may request certifications of eligibility to apply for adjustment assistance. Any request for such a certification must be made to the Secretary concerned within the 1-year period (or such longer period as may be specified by the President) after the date on which such notice is published."

(b) Section 302 (b) of such Act is amended—

(1) by striking out "subsection (a) (2)," in paragraph (1) and inserting in lieu thereof "subsection (a),";

(2) by striking out "subsection (a) (3)," in paragraph (2) and inserting in lieu thereof "subsection (a),"; and

(3) by adding at the end of paragraph (2) thereof the following new sentence: "A certification under this paragraph shall apply only with respect to individuals who are, or who have been, employed regularly in the firm involved within 1 year before the date of the institution of the Tariff Commission investigation under section 301 (b) relating to the industry with respect to

which the President has acted under subsection (a)."

(c) Section 302 (c) of such Act is amended to read as follows:

"(c) (1) After receiving a report of the Tariff Commission of the facts disclosed by its investigation under section 301 (c) (3) with respect to any firm or group of workers, the President shall make his determination under section 301 (c) (1) or (c) (2) at the earliest practicable time, but not later than 30 days after the date on which he receives the Tariff Commission's report, unless, within such period, the President requests additional factual information from the Tariff Commission. In this event, the Tariff Commission shall, not later than 25 days after the date on which it receives the President's request, furnish such additional factual information in a supplemental report, and the President shall make his determination not later than 15 days after the date on which he receives such supplemental report.

"(2) The President shall promptly publish in the Federal Register a summary of each determination under section 301 (c) with respect to any firm or group of workers.

"(3) If the President makes an affirmative determination under section 301 (c) with respect to any firm or group of workers, he shall promptly certify that such firm or group of workers is eligible to apply for adjustment assistance.

"(4) The President is authorized to exercise any of his functions with respect to determinations and certifications of eligibility of firms or workers to apply for adjustment assistance under section 301 and this section through such agency or other instrumentality of the United States Government as he may direct."

(d) The heading of such section 302 is amended to read as follows:

"SEC. 302. PRESIDENTIAL ACTION WITH RESPECT TO ADJUSTMENT ASSISTANCE."

SEC. 113. TARIFF ADJUSTMENT.

(a) Paragraphs (1) and (2) of section 351(a) of the Trade Expansion Act of 1962 (19 U.S.C. 1981(a)) are amended to read as follows:

"(1) (A) After receiving an affirmative injury determination of the Tariff Commission under paragraph (1) of section 301(b), which is not combined with an additional affirmative determination of the Tariff Commission under paragraph (5) of section 301(b), the President shall proclaim such increase in, or imposition of, any duty or other import restriction on the article concerned as he determines to be necessary to prevent or remedy serious injury to the industry, unless he determines that such action would not be in the national interest.

"(B) After receiving an affirmative injury determination of the Tariff Commission under paragraph (1) of section 301 (b) which is combined with an additional affirmative determination of the Tariff Commission under paragraph (5) of section 301 (b), the President shall proclaim the increase in, or imposition of, any duty or other import restriction on the article concerned determined and reported by the Tariff Commission pursuant to section 301 (b), unless he determines that such action would not be in the national interest.

"(2) If the President does not, within 60 days after the date on which he receives an affirmative injury determination, proclaim the increase in, or imposition of, any duty or other import restriction on such article determined and reported by the Tariff Commission pursuant to section 301 (b)—

"(A) he shall immediately submit a report to the House of Representatives and to the Senate stating why he has not proclaimed such increase or imposition, and

"(B) such increase or imposition shall take effect (as provided in paragraph (3)) upon the adoption by both Houses of Congress (within the 60-day period following the date on which the report referred to in subparagraph (A) is submitted to the House of Representatives and the Senate), by the yeas and nays by the affirmative vote of a majority of the authorized membership of each House, of a concurrent resolution stating in effect that the Senate and House of Representatives approve the increase in, or imposition of, any duty or other import restriction on the article determined and reported by the Tariff Commission pursuant to section 301 (b).

Nothing in subparagraph (A) shall require the President to state considerations of national interest on which his decision was based. For purposes of subparagraph (B), in the computation of the 60-day period there shall be excluded the days on which either House is not in session because of adjournment of more than 3 days to a day certain or an adjournment of the Congress sine die. The report referred to in subparagraph (A) shall be delivered to both Houses of the Congress on the same day and shall be delivered to the Clerk of the House of Representatives if the House of Representatives is not in session and to the Secretary of the Senate if the Senate is not in session."

(b) Paragraph (3) of such section 351 (a) is amended by striking out "found and reported by the Tariff Commission pursuant to section 301 (e)." and inserting in lieu thereof "determined and reported by the Tariff Commission pursuant to section 301 (b)."

(c) Paragraph (4) of such section 351 (a) is amended by striking out "affirmative finding" each place it appears and inserting in lieu thereof "affirmative injury determination".

(d) Section 351 (d) of such Act is amended to read as follows:

"(d) (1) So long as any increase in, or imposition of, any duty or other import restriction pursuant to this section or pursuant to section 7 of the Trade Agreements Extension Act of 1951 remains in effect, the Tariff Commission shall keep under review developments with respect to the industry concerned, including the specific steps taken by the firms in the industry to enable them to compete more effectively with imports, and shall make annual reports to the President concerning such developments.

"(2) Upon request of the President or upon its own motion, the Tariff Commission shall advise the President of its judgment, in the light of specific steps taken by the firms in such industry to enable them to compete more effectively with imports and all other relevant factors, as to the probable economic effect on the industry concerned, and (to the extent practicable) on the firms and workers therein of the reduction or termination of the increase in, or imposition of, any duty or other import restriction pursuant to this section or section 7 of the Trade Agreements Extension Act of 1951.

"(3) Upon petition on behalf of the industry concerned, filed with the Tariff Commission not earlier than the date which is 1 year, and not later than the date which is 9 months, before the date any increase or imposition referred to in paragraph (1) or (2) of subsection (c) is to terminate by reason of the expiration of the applicable period prescribed in paragraph (1) or an extension thereof under paragraph (2), the Tariff Commission shall advise the President of its judgment as to the probable economic effect on such industry of such termination. The report of the Tariff Commission on any investigation initiated under this paragraph shall be made not later than the 90th day before the expiration date referred to in the preceding sentence.

"(4) In advising the President under this subsection as to the probable economic effect on the industry concerned the Tariff Commission shall take into account all economic factors which it considers relevant, including idling of productive facilities, inability to operate at a level of reasonable profit, and unemployment or underemployment.

"(5) Advice by the Tariff Commission under this subsection shall be given on the basis of an investigation during the course of which the Tariff Commission shall hold a hearing at which interested persons shall be given a reasonable opportunity to be present, to produce evidence, and to be heard.

"(6) In the course of any investigation under this subsection, the Tariff Commission shall also determine and report to the President—

"(A) if the termination of the increase or imposition referred to in paragraph (1) or (2) of subsection (c) threatens to cause serious injury to the industry concerned, and

"(B) if the determination under subparagraph (A) is affirmative—

"(i) the limit to which such increase or imposition may be reduced without threatening to cause serious injury to the industry concerned, and

"(ii) whether, in lieu of such termination, additional increases or impositions of duties and other import restrictions are required to prevent or remedy serious injury to the industry concerned."

SEC. 114. ORDERLY MARKETING AGREEMENTS.

Section 352(a) of the Trade Expansion Act of 1962 (19 U.S.C. 1982(a)) is amended to read as follows:

"(a) If the President has received an affirmative injury determination of the Tariff Commission under section 301 (b) with respect to an industry, he may at any time negotiate international agreements with foreign countries limiting the export from such countries and the import into the United States of the article causing or threatening to cause serious injury to such industry whenever he determines that such action would be appropriate to prevent or remedy serious injury to such industry. Any agreement concluded under this subsection may replace in whole or in part any action taken pursuant to the authority contained in paragraph (1) of section 351 (a); but any agreement concluded under this subsection before the close of the period during which a concurrent resolution may be adopted under paragraph (2) of section 351 (a) shall terminate not later than the effective date of any proclamation issued by the President pursuant to paragraph (3) of section 351 (a)."

SEC. 115. INCREASED ASSISTANCE FOR WORKERS.

(a) Section 323 (a) of the Trade Expansion Act of 1962 (19 U.S.C. 1942 (a)) is amended by striking out "an amount equal to 65 percent of his average weekly wage or to 65 percent of the average weekly manufacturing wage," and inserting in lieu thereof "an amount equal to 75 percent of his average weekly wage or to 75 percent of the average weekly manufacturing wage,".

(b) The second sentence of section 326 (a) of such Act is amended to read as follows: "To this end, and subject to this chapter, adversely affected workers shall be afforded, where appropriate, the testing, counseling, training, and placement services and supportive and other services provided for under any Federal law."

(c) The amendment made by subsection (a) shall apply with respect to assistance under chapter 3 of the Trade Expansion Act of 1962 for weeks of unemployment beginning on or after the date of the enactment of this Act.

SEC. 116. CONFORMING AMENDMENTS.

(a) Section 242 (b) (2) of the Trade Expansion Act of 1962 (19 U.S.C. 1872 (b) (2)) is amended by striking out "section 301 (e)" and inserting in lieu thereof "section 301 (b)".

(b) Section 302 (b) (1) of such Act (19 U.S.C. 1962 (b)) (as amended by section 112 (b) of this Act) is further amended by striking out "(which the Tariff Commission has determined to result from concessions granted under trade agreements) have caused serious injury or threat thereof to such firm" and inserting in lieu thereof "have contributed substantially toward causing or threatening to cause serious injury to such firm".

(c) Section 302 (b) (2) of such Act (as amended by section 112 (b) of this Act) is further amended by striking out "(which the Tariff Commission has determined to result from concessions granted under trade agreements) have caused or threatened to cause unemployment or underemployment" and inserting in lieu thereof "have contributed substantially toward causing or threatening to cause unemployment or underemployment".

(d) Section 311 (b) (2) of such Act is amended by striking out "by actions taken in carrying out trade agreements, and" and by inserting in lieu thereof "by the increased imports identified by the Tariff Commission under section 301 (b) (1) or by the President under section 301 (c) (1), as the case may be, and".

(e) Section 317 (a) (2) of such Act is amended by striking out "by the increased imports which the Tariff Commission has determined to result from concessions granted under trade agreements" and inserting in lieu thereof "by the increased imports identified by the Tariff Commission under section 301 (b) (1) or by the President under section 301 (c) (1), as the case may be".

TITLE II—QUOTAS ON CERTAIN TEXTILE AND FOOTWEAR ARTICLES

CHAPTER 1—TEXTILE AND FOOTWEAR ARTICLES

SEC. 201. ANNUAL QUOTAS.

(a) The total quantity of each category of textile articles (as defined in section 206 (1)), and the total quantity of each category of footwear articles (as defined in section 206 (2)), produced in any foreign country which may be entered during 1971 shall not exceed the average annual quantity of such category produced in such country and entered during 1967, 1968, and 1969.

(b) (1) The total quantity of each category of textile articles, and the total quantity of each category of footwear articles, produced in any foreign country which may be entered during any calendar year after 1971 shall not exceed the sum of—

(A) the total quantity determined for such category for such country under subsection (a) or this subsection for the immediately preceding calendar year, plus

(B) the increase (if any) applicable under paragraph (2).

(2) (A) The President may increase the total quantity of each category of textile articles, and the total quantity of each category of footwear articles, produced in any foreign country which may be entered during any calendar year after 1971 by such percentage (not to exceed 5 percent of the total quantity determined for such category for such country under subsection (a) or this subsection for the immediately preceding calendar year) as he determines to be consistent with the purposes of this section.

(B) Any increase under this paragraph for any category for any calendar year shall be the same percentage for all foreign countries.

(C) A determination shall be made under this paragraph for each category for each foreign country for each calendar year after 1971 without regard to the nonapplication (or partial nonapplication) of this subsection to such category for such country for such year by reason of subsection (d) of this section, section 202 or 203, or the Arrangement or the Agreement referred to in section 204(b).

(3) If the application of this subsection to any article produced in a foreign country begins or resumes after a period of nonapplication which terminates on or after January 1, 1972, and if the President determines—

(A) that the average annual quantity of the article produced in such country, which was entered during 1967, 1968, and 1969 was insignificant, and

(B) that the application of this paragraph to the category which includes such article for such country is consistent with the purposes of this section,

then for the calendar year in which such termination occurs and for calendar years thereafter this subsection shall be applied by determining the total quantity for the category which includes such article for such country for the calendar year of termination as being equal to the average annual quantity of such category, produced in such country, which was entered during the 3 calendar years immediately preceding such calendar year of termination.

(c) (1) Any annual quantitative limitation under subsection (a) or (b) shall be applied on a calendar quarter or other intra-annual basis if the President determines that such application is necessary or appropriate to carry out the purposes of this section.

(2) If the application of subsection (a) or (b) to any category for any foreign country begins or resumes after the first day of any calendar year, the amount of the quantitative limitation for such category for such country for the remainder of such calendar year shall be the annual amount determined under subsection (a) or (b), adjusted pro rata according to the number of full months remaining in the calendar year after the date of such beginning or such resumption.

(d) (1) The President may exempt from subsections (a) and (b) for an initial period of not to exceed 1 year any textile article or footwear article produced in any foreign country if he determines that imports of such article produced in such country are not contributing to, causing, or threatening to cause market disruption in the United States. The President may extend any exemption under the preceding sentence for one or more additional periods of not in excess of 1 year each if he makes the determination described in the preceding sentence before each such extension. Any exemption made under this subsection may be terminated by the President at any time upon his finding that the article covered by such exemption is contributing to, causing, or threatening to cause market disruption in the United States.

(2) The President may exempt from subsections (a) and (b) any textile article or footwear article produced in any foreign country whenever he determines that such an exemption is in the national interest. The President may terminate any exemption made by him under the preceding sentence whenever he determines that such termination is in the national interest.

(3) No exemption, extension of an exemption, or termination of an exemption under paragraph (1) or paragraph (2) shall take effect before the 30th day after the day on which notice of such exemption, extension, or termination is published in the Federal Register.

(e) The Secretary of Commerce shall compute the quantities provided for in subsections (a) and (b).

SEC. 202. ARRANGEMENTS OR AGREEMENTS REGULATING IMPORTS.

(a) The President is authorized to conclude bilateral or multilateral arrangements or agreements with the governments of foreign countries regulating, by category, the quantities of textile articles or footwear articles, or both, produced in such foreign countries which may be exported to the United States or entered and to issue regulations necessary to carry out the terms of such arrangements or agreements. In concluding any arrangement or agreement under this subsection, the President shall take into account conditions in the United States market, the need to avoid disruption of that market, and such other factors as he deems appropriate in the national interest.

(b) Whenever a multilateral arrangement or agreement concluded under subsection (a) is in effect among the countries, including the United States, which account for a significant part of world trade in the article concerned and such arrangement or agreement contemplates the establishment of limitations on the trade in the article produced in countries not parties to such arrangement or agreement, the President may by regulation prescribe the total quantity of the article produced in each country not a party to such arrangement or agreement which may be entered; but the total quantity for any category for any country for any calendar year may not be less than the total quantity which would be permitted to be entered if section 201 (a) and (b) applied to such category for such country for such year.

(c) Section 201 shall not apply to articles produced in foreign countries which are subject to an arrangement or agreement entered into under subsection (a) or to regulations issued under subsection (b).

SEC. 203. INCREASED IMPORTS WHERE SUPPLY IS INADEQUATE TO MEET DOMESTIC DEMAND AT REASONABLE PRICES.

In carrying out sections 201 and 202, the President may authorize increased exports to the United States or increased entries in the United States of textile articles or footwear articles of any category whenever he determines that the supply of textile articles or footwear articles similar to those subject to limitation under such sections will be inadequate to meet domestic demand at reasonable prices.

SEC. 204. EXCLUSIONS.

(a) The import restrictions provided for in this title do not apply to any article exempted from duty under part 2 of schedule 8 of the Tariff Schedules of the United States or to any article the entry of which is regulated pursuant to paragraph (4), (5), (6), or (7) of section 498(a) of the Tariff Act of 1930 (19 U.S.C. 1498(a)). To the extent provided in regulations prescribed by the Secretary of Commerce, the import restrictions provided for in this title shall not apply to other articles imported in noncommercial quantities for noncommercial purposes.

(b) This title shall not apply to (1) articles subject to the Long-Term Arrangement Regarding International Trade in Cotton Textiles, so long as the United States is a party thereto, or (2) the articles produced in the Philippines provided for in item B (cordage) in the schedule to paragraph 1 of article II of the 1955 Agreement With the Philippines Concerning Trade and Related Matters, so long as such Agreement remains in effect.

(c) Nothing in this title shall affect the authority provided for under section 22 of the Agricultural Adjustment Act of 1933, as amended.

SEC. 205. ADMINISTRATION.

(a) The rulemaking provisions of subchapter II of chapter 5 of title 5, United States Code, shall apply with respect to sections 201(b) (2), 201(b) (3), 201(d) (1), 202(b), 203, 204(a), and 206.

(b) All quantitative limitations established under this title or pursuant to any arrangement or agreement entered into under this title, all exemptions established under this title and all extensions or terminations thereof, and all regulations promulgated to carry out this title shall be published in the Federal Register. The Secretary of Commerce shall certify to the Secretary of the Treasury for each period the total quantity of each textile article and footwear article produced in each foreign country the entry of which is affected by such a quantitative limitation on importation; and the Secretary of the Treasury shall take such action as may be necessary to ensure that the total quantity so entered during such period shall not exceed the total quantity so certified.

(c) There shall be promulgated as a part of the ap pendix to the Tariff Schedules of the United States, Annotated, all quantitative limitations and exemptions established under this title or pursuant to any arrangement or agreement entered into under this title and all quantitative limitations established pursuant to the Arrangement referred to in section 204 (b).

SEC. 206. DEFINITIONS.

For purposes of this title—

(1) The term "textile article" includes any article if wholly or in part of cotton, wool or other animal hair, human hair, man-made fiber, or any combination or blend thereof, or cordage of hard (leaf) fibers, classified under schedule 3 of the Tariff Schedules of the United States; any article classified under subpart B or C of part 1 of schedule 7 of such schedules if wholly or in chief value of cotton, wool, or man-made fiber; any other article specified by the Secretary of Commerce which he has been advised by the Secretary of the Treasury would be classified under any of the foregoing provisions of the schedules but for the inclusion of some substance, material, or other component, or because of its processing, which causes the article to be classified elsewhere; and any of the foregoing articles if entered under item 807.00 of such schedules, or under the appendix to such sched-

ules; but such term does not include articles classified under any of items 300.10 through 300.50, 306.00 through 307.40, 309.60 through 309.75, and 390.10 through 390.60, inclusive, of such schedules; and does not include any woven fabric 20 inches or over but not over 46 inches in width, in the piece, bleached or colored, whether or not ornamented, for use only in the manufacture of portions of neckties other than the linings therefor.

(2) The term "footwear article" includes footwear provided for in any of items 700.05 through 700.45, inclusive, item 700.55, items 700.66 through 700.80, inclusive, and item 700.85 of the Tariff Schedules of the United States.

(3) The term "category" means a grouping of textile articles, or a grouping of footwear articles, as the case may be, as determined by the Secretary of Commerce, for the purposes of this title, using the five-digit and seven-digit item numbers applied to such articles in the Tariff Schedules of the United States, Annotated, as published by the United States Tariff Commission.

(4) The term "entered" means entered, or withdrawn from warehouse, for consumption in the customs territory of the United States.

(5) The term "produced" means manufactured or produced.

(6) The term "foreign country" includes a foreign instrumentality.

CHAPTER 2—EFFECTIVE PERIOD

SEC. 211. TERMINATION OF TITLE, EXTENSION UNDER CERTAIN CONDITIONS.

(a) Unless extended under subsection (b), this title shall terminate on July 1, 1976.

(b) The effective period of this title may be extended in whole or in part by the President after July 1, 1976, for such periods (not to exceed 5 years at any one time) as he may designate if he determines, after seeking advice of the Tariff Commission and of the Secretary of Commerce and of the Secretary of Labor, that such extension is in the national interest.

(c) The President shall promptly report to Congress with respect to any action taken by him under subsection (b).

(d) Nothing in this section shall affect the validity of any arrangement or agreement entered into under section 202 (a) before the termination of this title or of any regulations issued under section 202 in connection with any such arrangement or agreement.

TITLE III—OTHER TARIFF AND TRADE PROVISIONS

CHAPTER 1—AMENDMENTS TO THE ANTI-DUMPING AND COUNTERVAILING DUTY LAWS

SEC. 301. ANTIDUMPING ACT, 1921.

(a) Section 201 (b) of the Antidumping Act, 1921 (19 U.S.C. 160 (b)) is amended to read as follows:

"(b) In the case of any imported merchandise of a class or kind as to which the Secretary has not so made public a finding, he shall, within 4 months after the question of dumping was raised by or presented to him or any person to whom authority under this section has been delegated—

"(1) determine whether there is reason to believe or suspect, from the invoice or other papers or from information presented to him or to any other person to whom authority under this section has been delegated, that the purchase price is less, or that the exporter's sales price is less or likely to be less, than the foreign market value (or, in the absence of such value, than the constructed value); and

"(2) if his determination is affirmative, publish notice of that fact in the Federal Register, and require, under such regulations as he may prescribe, the withholding of appraisement as to such merchandise entered, or withdrawn from warehouse for consumption, on or after the date of publication of that notice in the Federal Register (unless the Secretary determines that the withholding should be made effective as of an earlier date in which case the effective date of the withholding shall be not more than 120 days before the question of dumping was raised by or presented to him or any person to whom authority under this section has been delegated), until the further order of the Secretary, or until the Secretary has made public a finding as provided for in subsection (a) in regard to such merchandise; or

"(3) if his determination is negative, publish notice of that fact in the Federal Register, but the Secretary may within 3 months thereafter order the withholding of appraisement if he then has reason to believe or suspect, from the invoice or other papers or from information presented to him or to any other person to whom authority under this section has been delegated, that the purchase price is less, or that the exporter's sales price is less or likely to be less, than the foreign market value (or, in the absence of such value, then the constructed value) and such order of withholding of appraisement shall be subject to the provisions of paragraph (2).

For purposes of this subsection, the question of dumping shall be deemed to have been raised or presented on the date on which a notice is published in the Federal Register that information relating to dumping has been received in accordance with regulations prescribed by the Secretary."

(b) Section 205 of the Antidumping Act, 1921 (19 U.S.C. 164), is amended by inserting "(a)" immediately after "SEC. 205.", and by adding at the end thereof the following new subsection:

"(b) If available information indicates to the Secretary that the economy of the country from which the merchandise is exported is state-controlled to an extent that sales or offers of sales of such or similar merchandise in that country or to countries other than the United States do not permit a determination of foreign market value under subsection (a), the Secretary shall determine the foreign market value of the merchandise on the basis of the normal costs, expenses, and profits as reflected by either—

"(1) the prices at which such or similar merchandise of a non-state-controlled-economy country is sold either (A) for consumption in the home market of that country, or (B) to other countries, including the United States; or

"(2) the constructed value of such or similar merchandise in a non-state-controlled-economy country as determined under section 206 of this Act."

(c) The amendment made by subsection (a) of this section shall take effect on the 180th day after the date of the enactment of this Act.

SEC. 302. COUNTERVAILING DUTIES.

(a) Section 303 of the Tariff Act of 1930 (19 U.S.C. 1303) is amended to read as follows:

"SEC. 303. COUNTERVAILING DUTIES.

"(a) LEVY OF COUNTERVAILING DUTIES.—(1) Whenever any country, dependency, colony, province, or other political subdivision of government, person, partnership, association, cartel, or corporation, shall pay or bestow, directly or indirectly, any bounty or grant upon the manufacture or production or export of any article or merchandise manufactured or produced in such country, dependency, colony, province, or other political subdivision of government, then upon the importation of such article or merchandise into the United States, whether the same shall be imported directly from the country of production or otherwise, and whether such article or merchandise is imported in the same condition as when exported from the country of production or has been changed in condition by remanufacture or otherwise, there shall be levied and paid, in all such cases, in addition to any duties otherwise imposed, a duty equal to the net amount of such bounty or grant, however the same be paid or bestowed. The Secretary of the Treasury shall determine, within 12 months after the date on which the question is presented to him, whether any bounty or grant is being paid or bestowed.

"(2) In the case of any imported article or merchandise which is free of duty, duties may be imposed under this section only if there is an affirmative determination by the Tariff Commission under subsection (b) (1).

"(3) The Secretary of the Treasury shall from time to time ascertain and determine, or estimate, the net amount of each such bounty or grant, and shall declare the net amount so determined or estimated.

"(4) The Secretary of the Treasury shall make all regulations he may deem necessary for the identification of such articles and merchandise and for the assessment and collection of the duties under this section. All determinations by the Secretary under this subsection and all determinations by the Tariff Commission under subsection (b) (1), whether affirmative or negative, shall be published in the Federal Register.

"(b) INJURY DETERMINATIONS WITH RESPECT TO DUTY-FREE MERCHANDISE; SUSPENSION OF LIQUIDATION.—(1) Whenever the Secretary of the Treasury has determined under subsection (a) that a bounty or grant is being paid or bestowed with respect to any article or merchandise which is free of duty, he shall—

"(A) so advise the United States Tariff Commission, and the Commission shall determine within 3 months thereafter, and after such investigation as it deems necessary, whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such article or merchandise into the United States; and the Commission shall notify the Secretary of its determination; and

"(B) require, under such regulations as he may prescribe, the suspension of liquidation as to such article or merchandise entered, or withdrawn from warehouse, for consumption, on or after the 30th day after the date of the publication in the Federal Register of his determination under subsection (a) (1), and such suspension of liquidation shall continue until the further order of the Secretary or until he has made public an order as provided for in paragraph (2) of this subsection.

"(2) If the determination of the Tariff Commission under subparagraph (A) is in the affirmative, the Secretary shall make public an order directing the assessment and collection of duties in the amount of such bounty or grant as is from time to time ascertained and determined, or estimated, under subsection (a).

"(c) APPLICATION OF AFFIRMATIVE DETERMINATION.—An affirmative determination by the Secretary of the Treasury under subsection (a) (1) with respect to any imported article or merchandise which (1) is dutiable, or (2) is free of duty but with respect to which the Tariff Commission has made an affirmative determination under subsection (b) (1), shall apply with respect to articles entered, or withdrawn from warehouse, for consumption on or after the 30th day after the date of the publication in the Federal Register of such determination by the Secretary.

"(d) SPECIAL RULE FOR ANY ARTICLE SUBJECT TO A QUANTITATIVE LIMITATION.—No duty shall be imposed under this section with respect to any article which is subject to a quantitative limitation imposed by the United States on its importation, or subject to a quantitative limitation on its exportation to or importation into the United States imposed under an agreement to which the United States is a party, unless the Secretary of the Treasury determines, after seeking information and advice from such agencies as he may deem appropriate, that such quantitative limitation is not an adequate substitute for the imposition of a duty under this section."

(b) (1) Except as provided in paragraph (2), the amendments made by subsection (a) shall take effect on the date of the enactment of this Act.

(2) The last sentence of section 303 (a) (1) of the

Tariff Act of 1930 (as added by subsection (a) of this section) shall apply only with respect to questions presented on or after the date of the enactment of this Act.

CHAPTER 2—TARIFF COMMISSION

SEC. 311. TARIFF COMMISSION MEMBERSHIP.

(a) (1) The first sentence of section 330(a) of the Tariff Act of 1930 (19 U.S.C. 1330) is amended to read as follows: "The United States Tariff Commission (referred to in this Act as the 'Commission') shall be composed of seven Commissioners appointed by the President by and with the advice and consent of the Senate."

(2) The third sentence of such section is amended by striking out "three" and inserting in lieu thereof "four".

(b) Section 330(b) of such Act is amended to read as follows:

"(b) TERMS OF OFFICE.—Terms of office of the Commissioners which begin after the date of the enactment of the Trade Act of 1970 shall be for 7 years; except that the first term of office for the seventh Commissioner shall expire on June 16, 1977. The term of office of a successor to any Commissioner appointed to a term of office beginning after the date of the enactment of the Trade Act of 1970 shall (except as provided in the preceding sentence) expire 7 years from the date of the expiration of the term for which his predecessor was appointed. Any Commissioner appointed to fill a vacancy occurring before the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term."

(c) Section 330(d) of such Act is repealed.

CHAPTER 3—AUTHORIZATION OF APPROPRIATIONS FOR UNITED STATES SHARE OF THE EXPENSES OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE

SEC. 321. AUTHORIZATION.

Chapter 5 of title II of the Trade Expansion Act of 1962 (19 U.S.C. 1871 et seq.) is amended by inserting immediately after section 243 the following new section:

"SEC. 244. AUTHORIZATION FOR CERTAIN EXPENSES.

"There are hereby authorized to be appropriated annually such sums as may be necessary for the payment by the United States of its share of the expenses of the Contracting Parties to the General Agreement on Tariffs and Trade."

CHAPTER 4—AMERICAN SELLING PRICE SYSTEM OF VALUATION

SEC. 331. IN GENERAL.

(a) The President is authorized to proclaim such modifications of the Tariff Schedules of the United States (19 U.S.C. 1202) as are required or appropriate to carry out any bilateral or multilateral agreement with foreign countries or instrumentalities thereof which relates primarily to the elimination of the American selling price system of valuation, if he determines that the concessions which would be granted with respect to the products of the United States under such agreement fully compensate for the concessions which would be made by the United States under the agreement. Any proclamation issued under this subsection shall take effect only as provided in subsection (b).

(b) (1) The President shall have any proclamation referred to in subsection (a) delivered to both Houses of the Congress on the same day and to each House while it is in session. No such proclamation may be delivered before January 3, 1971.

(2) Except as otherwise provided in paragraph (4), a proclamation referred to in subsection (a) shall take effect at the end of the first period of 60 calendar days of continuous session of Congress after the date on which the proclamation is transmitted to it unless, between the date of transmittal and the end of the 60-day period, both Houses of Congress adopt a concurrent resolution stating in substance that the Congress does not favor the taking effect of such proclamation.

(3) For purposes of paragraph (2)—

(A) continuity of session is broken only by an adjournment of Congress sine die; and

(B) the days on which either House is not in session because of an adjournment of more than three days to a day certain are excluded in the computation of the 60-day period.

(4) Under provisions contained in any proclamation referred to in subsection (a), any provision of the proclamation may take effect at a time later than the date on which the proclamation otherwise takes effect.

(c) Nothing in subsection (a) shall authorize the issuance of a proclamation with respect to certain footwear presently provided for in item 700.60 of the Tariff Schedules of the United States.

(d) The President is authorized at any time to terminate, in whole or in part, any proclamation which has taken effect pursuant to this section.

(e) During a period of 5 years after a proclamation referred to in subsection (a) which relates to chemicals takes effect, for the purpose of insuring a continuing surveillance of the effects of such proclamation, the Tariff Commission shall complete and transmit to the President, on the most current basis possible, annual detailed reports on United States production and sales of synthetic organic chemicals and United States imports thereof.

SEC. 332. RELATED AMENDMENTS.

(a) For purposes of general headnote 4 of the Tariff Schedules of the United States, a rate of duty proclaimed pursuant to section 331 shall be treated as a rate of duty proclaimed pursuant to a concession granted in a trade agreement.

(b) As of the effective date of the relevant provision of a proclamation issued pursuant to section 331, the Tariff Schedules of the United States are amended as follows:

(1) Part 3E of schedule 1 is amended by striking out the rate of duty in column numbered 2 for item 114.05 and by inserting in such column "35¢ per lb." and "35% ad val." for the articles provided for in items 114.04 and 114.06, respectively, proclaimed pursuant to section 331, and by striking out headnote 1 and the headnote heading preceding it.

(2) Part 1 of schedule 4 is amended by striking out the rates of duty in column numbered 2 in subparts B and C and by inserting in such column "7¢ per lb. + 75% ad val." for the articles provided for in each item proclaimed pursuant to section 331, and by striking out headnotes 4 and 5 and inserting in lieu thereof:

"4. The ad valorem rates provided for in this part shall be applied to values determined in accordance with the methods of valuation provided for in section 402 (a) through (d) of this Act."

(3) Part 1C of schedule 7 is amended by striking

out the rate of duty in column numbered 2 for item 704.55 and inserting in lieu thereof "40¢ per lb. + 35% ad val." and by striking out headnote 4 and inserting in lieu thereof:

"4. The ad valorem rates provided for in item 704.55 shall be applied to values determined in accordance with the methods of valuation provided for in section 402 (a) through (d) of this Act."

CHAPTER 5—MISCELLANEOUS PROVISIONS

SEC. 341. AMENDMENTS TO AUTOMOTIVE PRODUCTS TRADE ACT OF 1965.

(a) Section 302 (a) of the Automotive Products Trade Act of 1965 (19 U.S.C. 2022) is amended by striking out "After the 90th day after the date of the enactment of this Act and before July 1, 1968, a petition under section 301" and inserting in lieu thereof "A petition under section 301".

(b) The heading of section 302 of such Act is amended to read as follows: "SPECIAL AUTHORITY"

(c) Subsections (c), (d), and (g) (2) of section 302 of such Act are amended by striking out "the primary factor" and inserting in lieu thereof "a substantial factor".

(d) The amendments made by this section shall apply with respect to petitions filed after the date of the enactment of this Act; except that—

(1) such amendments shall apply only with respect to dislocations which began after June 30, 1968, and

(2) such amendments shall apply with respect to dislocations which began after June 30, 1968, and before July 1, 1970, only if the petition is filed on or before the 90th day after the date of the enactment of this Act.

SEC. 342. CERTAIN CLASSIFICATIONS BY THE SECRETARY OF AGRICULTURE.

The headnotes for part 3 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202 note) are amended by adding at the end thereof the following new headnote:

"(4) Any determination as to whether or not any article or class of articles falls within one of the article descriptions under this part 3 shall be the final administrative responsibility of the Secretary of Agriculture. In making any such determination, the Secretary of Agriculture shall carry out the purposes for which the import restrictions provided for in this part were prescribed, notwithstanding the fact that such determination may differ from that made for tariff and other purposes. Nothing in this headnote shall be deemed to affect in any manner the authority of the Secretary of the Treasury over merchandise for tariff or other purposes."

SEC. 343. RATES OF DUTY ON MINK FURSKINS; REPEAL OF EMBARGO ON CERTAIN FURS.

(a) (1) Schedule 1, part 5, subpart B of the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by inserting after item 123.50 the following new items:

"	Furskins of mink, whether or not dressed:		
	For an aggregate quantity of not over 4,600,000 skins (or pieces of skins) entered during any calendar year:		
123.60	Raw or not dressed.......	Free	30% ad val.
	Dressed:		
	Plates, mats, linings, strips, crosses, or similar forms:		
123.62	Not dyed........	12% ad val.	35% ad val.
123.63	Dyed...........	14% ad val.	40% ad val.
	Other:		
123.65	Not dyed........	3.5% ad val.	25% ad val.
123.66	Dyed...........	5.5% ad val.	30% ad val.
123.68	Other......................	25% ad val.	40% ad val. ".

(2) Schedule 7, part 13, subpart B of such schedules is amended by inserting after item 791.10 the following new item:

" 791.12	Of mink.....................	14% ad val.	50% ad val. ".

(b) Headnote 4 of subpart B, part 5, schedule 1 of such schedules is repealed.

(c) The amendments and repeal made by this section shall apply with respect to articles entered, or withdrawn from warehouse, for consumption on or after January 1, 1971.

SEC. 344. RATE OF DUTY ON GLYCINE AND CERTAIN RELATED PRODUCTS.

(a) Subpart B, part 13, schedule 4 of the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by inserting after item 493.35 the following new item:

"493.37	Aminoacetic acid (glycine) and salts thereof, and mixtures containing such acid or its salts if such acid or salts individually or in combination are the chief component by weight of such mixtures, all the foregoing however provided for elsewhere in this schedule.		
	For an aggregate quantity of not over 1,500,000 pounds entered during any calendar year of which an aggregate quantity of not over 375,000 pounds may be entered during any calendar quarter	8.5% ad val.	25% ad val.
	Other	8.5% ad val. plus 25¢ per lb.	25% ad val. plus 25¢ per lb. ".

(b) The amendment made by subsection (a) shall apply with respect to articles entered, or withdrawn from warehouse, for consumption, on or after January 1, 1971.

SEC. 345. INVOICE INFORMATION.

Section 481(a) of the Tariff Act of 1930 (19 U.S.C. 1481(a)) is amended—

(1) by redesignating paragraph (10) thereof as paragraph (11);

(2) by striking out "and" at the end of paragraph (9); and

(3) by inserting immediately after such paragraph (9) the following new paragraph:

"(10) Such information as to product description as is required to be made a part of the entry by provisions of the Tariff Schedules of the United States Annotated issued pursuant to section 484 (e) of this Act; and".

SEC. 346. TRADE WITH FOREIGN COUNTRIES PERMITTING UNCONTROLLED PRODUCTION OF OR TRAFFICKING IN CERTAIN DRUGS.

The President of the United States shall have the authority to impose an embargo or suspension of trade with a nation which permits the uncontrolled or unregulated production of or trafficking in opium, heroin, or other poppy derivatives in a manner to permit these drug items to fall into illicit commerce for ultimate disposition and use in this country.

TITLE IV—DOMESTIC INTERNATIONAL SALES CORPORATION

SEC. 401. AMENDMENT OF 1954 CODE.

Whenever in this title an amendment is expressed in terms of an amendment to a section or other provision, the reference is to a section or other provision of the Internal Revenue Code of 1954.

SEC. 402. DOMESTIC INTERNATIONAL SALES CORPORATIONS.

Subchapter N of chapter 1 (relating to income from sources without the United States) is amended by adding at the end thereof the following new part:

"PART IV—DOMESTIC INTERNATIONAL SALES CORPORATIONS.

"Subpart A—Treatment of Qualifying Corporations

"SEC. 991. TAXATION OF A DOMESTIC INTERNATIONAL SALES CORPORATION.

"(a) GENERAL RULE.—Except as provided in this section, a DISC (as defined in section 992(a)) shall not be subject to the taxes imposed by this subtitle.

"(b) TAXABLE YEARS BEGINNING BEFORE 1974.—

"(1) TRANSITION.—In the case of a taxable year beginning before January 1, 1974, a DISC shall be subject to the tax imposed by section 11 or 1201(a) but the amount of the tax liability shall be—

"(A) in the case of a taxable year beginning in 1971, 50 percent of the amount determined under paragraph (2), and

"(B) in the case of a taxable year beginning in 1972 or 1973, 25 percent of the amount determined under paragraph (2).

"(2) TAX LIABILITY.—For purposes of paragraph

(1), the amount determined under this paragraph, with respect to any taxable year, is the amount by which—

"(A) the tax imposed by section 11 or 1201 (a) for the taxable year determined without regard to subsection (a), exceeds

"(B) the sum of the credits against such tax allowable for the taxable year.

If a DISC is a member of a controlled group of corporations (within the meaning of section 1563) for the taxable year, no surtax exemption shall be allowed in applying this paragraph for such year.

"SEC. 992. REQUIREMENTS OF A DOMESTIC INTERNATIONAL SALES CORPORATION.

"(a) DEFINITION OF 'DISC' AND 'FORMER DISC'.—

"(1) DISC.—For purposes of this title, the term 'DISC' means, with respect to any taxable year, a corporation which is incorporated under the laws of any State and satisfies the following conditions for the taxable year:

"(A) 95 percent or more of the gross receipts (as defined in section 993 (f)) of such corporation consist of qualified export receipts (as defined in section 993 (a)),

"(B) the adjusted basis of the qualified export assets (as defined in section 993 (b)) held by the corporation at the close of the taxable year equals or exceeds 95 percent of the sum of such adjusted basis and the fair market value of all other assets held by the corporation at the close of the taxable year,

"(C) such corporation does not have more than one class of stock and the par or stated value of its outstanding stock is at least $2,500 on each day of the taxable year, and

"(D) the corporation has made an election pursuant to subsection (b) to be treated as a DISC and such election is in effect for the taxable year.

"(2) STATUS AS DISC AFTER HAVING FILED A RETURN AS A DISC.—If—

"(A) a corporation does not notify the Secretary or his delegate, before the 30-day period ending with the expiration of the period of limitation on assessment for underpayment of tax, that it is not a DISC for a taxable year for which it filed a return as a DISC under section 6011(e)(2), and

"(B) the Secretary or his delegate has not, within the period of limitation prescribed in subparagraph (B), issued a notice of deficiency based on a determination that the corporation is not a DISC for such year,

then, notwithstanding any other provision of this part, for purposes of this title the corporation is a DISC with respect to such taxable year and shall be deemed to have satisfied the conditions of paragraph (1) for such year.

"(3)" "FORMER DISC.— for purposes of this title, the term 'former DISC' means, with respect to any taxable year, a corporation which is not a DISC for such year but was a DISC in a preceding taxable year and at the beginning of the taxable year has undistributed previously taxed income or accumulated DISC income.

"(b) ELECTION.—

"(1) ELECTION.—An election by a corporation to be treated as a DISC shall be made by such corporation for a taxable year at any time during the 90-day period immediately preceding the beginning of the taxable year and shall be made in such manner as the Secretary or his delegate shall prescribe. Such election shall be valid only if all persons who are shareholders in such corporation on the first day of the first taxable year for which such election is effective consent to such election.

"(2) EFFECT OF ELECTION.—If a corporation makes an election under paragraph (1), then the provisions of this part shall apply to such corporation for the taxable year of the corporation for which made and for all succeeding taxable years and shall apply to each person who at any time is a shareholder of such corporation for all periods on or after the first day of the first taxable year of the corporation for which the election is effective.

"(3) TERMINATION OF ELECTION.—

"(A) REVOCATION.—An election under this subsection made by any corporation may be terminated by it for any taxable year of the corporation after the first taxable year of the corporation for which the election is effective. A termination under this paragraph shall be effective with respect to such election—

"(i) for the taxable year in which made, if made at any time during the first 90 days of such taxable year, or

"(ii) for the taxable year following the taxable year in which made, if made after the close of such 90 days,

and for all succeeding taxable years of the corporation. Such termination shall be made in such manner as the Secretary or his delegate shall prescribe by regulations.

"(B) CONTINUED FAILURE TO BE DISC.—If a corporation is not a DISC for each of any 5 consecutive taxable years of the corporation for which an election under this subsection is effective, the election shall be terminated and not be in effect for any taxable year of the corporation after such 5th year.

"(c) DISTRIBUTIONS TO MEET QUALIFICATION REQUIREMENTS.—

"(1) IN GENERAL.—Subject to the conditions provided by paragraphs (2) and (3), a corporation which for a taxable year does not satisfy a condition specified in paragraph (1) (A) (relating to gross receipts) or (1) (B) (relating to assets) of subsection (a) shall nevertheless be deemed to satisfy such condition for such year if it makes a pro rata distribution of property after the close of the taxable year to its shareholders (designated at the time of such distribution as a distribution to meet qualification requirements) with respect to their stock in an amount which is equal to—

"(A) if the condition of subsection (a) (1) (A) is not satisfied, the portion of such corporation's taxable income attributable to its gross receipts which are not qualified export receipts for such year,

"(B) if the condition of subsection (a) (1) (B) is not satisfied, the fair market value of those assets which are not qualified export assets on the last day of such taxable year, or

"(C) if neither of such conditions is satisfied, the sum of the amounts required by subparagraphs (A) and (B).

"(2) DISTRIBUTIONS MADE WITHIN $8\frac{1}{2}$ MONTHS AFTER CLOSE OF TAXABLE YEAR.—In the case of a distribution made on or before the 15th day of the 9th month after the close of the taxable year, if the failure of a corporation to satisfy a condition specified in subsection (a) (1) (A) or (B) is not due to reasonable cause, paragraph (1) applies only if—

"(A) at least 70 percent of the gross receipts of such corporation for such taxable year consist of qualified export receipts, and

"(B) the adjusted basis of the qualified export assets held by the corporation on the last day of each month of the taxable year equals or exceeds 70 percent of the sum of (i) such adjusted basis, and (ii) the fair market value of all other assets held by the corporation on such day.

"(3) DISTRIBUTIONS MADE MORE THAN $8\frac{1}{2}$ MONTHS AFTER CLOSE OF TAXABLE YEAR.—In the case of a distribution made after the 15th day of the 9th month following the close of the taxable year, paragraph (1) applies only if—

"(A) the failure to make the distribution within the time prescribed by paragraph (2) and before the time the distribution is made is due to reasonable cause,

"(B) the distribution is made before the earlier of (i) the expiration of the period of limitation prescribed by section 6501 for assessment of the tax for the taxable year with respect to which the distribution is made, or (ii) the expiration of the period ending 90 days after the day on which the corporation is notified by the Secretary or his delegate that the corporation has failed to satisfy either the gross receipts or gross assets test of subsection (a) (1) (A) or (B) (extended by any period in which a deficiency cannot be assessed under section 6213 (a) and any other period which the Secretary or his delegate determines is reasonable and necessary to permit the distribution), and

"(C) the corporation, within the 30-day period beginning with the day on which the distribution is made, pays to the Secretary or his delegate an amount determined by multiplying (i) the amount equal to $4\frac{1}{2}$ percent of the distribution, by (ii) the number of its taxable years which begin after the taxable year with respect to which the distribution is made and before the distribution is made.

For purposes of this title, any payment made pursuant to subparagraph (C) shall be treated as interest.

"(d) INELIGIBLE CORPORATIONS.—The following corporations shall not be eligible to be treated as a DISC—

"(1) a corporation exempt from tax by reason of section 501,

"(2) a personal holding company (as defined in section 542),

"(3) a financial institution to which section 581 or 593 applies,

"(4) an insurance company subject to the tax imposed by subchapter L,

"(5) a regulated investment company (as defined in section 851(a)),

"(6) a China Trade Act corporation receiving the special deduction provided in section 941(a), or

"(7) an electing small business corporation (as defined in section 1371(b)).

"SEC. 993. DEFINITIONS AND SPECIAL RULES.

"(a) QUALIFIED EXPORT RECEIPTS.—

"(1) GENERAL RULE.—For purposes of this part, subject to the exceptions in paragraph (2), the qualified export receipts of a corporation are—

"(A) gross receipts from the sale, exchange, or other disposition of export property—

"(i) for direct use, consumption, or disposition outside the United States (as defined in subsection (g)), or

"(ii) to a DISC for such direct use, consumption, or disposition,

"(B) gross receipts from the leasing or rental of export property which is used by the lessee of such property outside the United States,

"(C) gross receipts with respect to services which are related and subsidiary to any sale, exchange, lease, rental, or other disposition of export property by such corporation,

"(D) gross receipts derived from the sale, exchange, or other disposition of qualified export assets (other than export property),

"(E) dividends (or amounts includible in gross income under section 951) with respect to stock of a related foreign export corporation (as defined in subsection (e)),

"(F) interest on any obligation which is a qualified export asset,

"(G) gross receipts derived in connection with the performance of managerial services in furtherance of the production of qualified export receipts of a DISC, and

"(H) gross receipts with respect to engineering or architectural services for construction projects located (or proposed for location) outside the United States.

"(2) Exceptions.—For purposes of this part, the term 'qualified export receipts' does not include receipts—

"(A) from the direct or indirect sale, exchange, lease, rental, or other disposition of export property to the United States or any agency or instrumentality thereof,

"(B) from the sale of agricultural commodities under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, 83d Congress; 7 U.S.C., sec. 1691 and fol.),

"(C) from a corporation which (i) is a member of a controlled group of corporations (within the meaning of section 1563) which includes the recipient corporation, and (ii) is a DISC for its taxable year in which the receipts arise,

"(D) from the renting or licensing for the use of, or for the privilege of using, without the United States, patents, copyrights (other than films, tapes, or records for the commercial showing of motion pictures or used for radio or television broadcasting or to provide background music), secret processes and formulas, good will, trademarks, trade brands, franchises, and other like properties,

"(E) from the sale, exchange, lease, rental, or other disposition of export property for ultimate use in the United States, or

"(F) from services which are related and subsidiary to any sale, exchange, lease, rental, or other disposition described in this paragraph.

"(b) QUALIFIED EXPORT ASSETS.—For purposes of this part, the qualified export assets of a corporation are—

"(1) export property (as defined in subsection (c));

"(2) facilities primarily for the sale, lease, rental, storage, handling, transportation, packaging, assembly, or servicing of export property;

"(3) accounts receivable and evidences of indebtedness which arise by reason of transactions of such corporation described in subparagraph (A), (B), or (C) of subsection (a) (1);

"(4) money, bank deposits, and other similar temporary investments, which are necessary to meet the working capital requirements of such corporation;

"(5) obligations arising in connection with a producer's loan (as defined in subsection (d));

"(6) stock or securities of a related foreign export corporation (as defined in subsection (e));

"(7) obligations issued, guaranteed, or insured, in whole or in part, by the Export-Import Bank of the United States or the Foreign Credit Insurance Association in those cases where such obligations are acquired from such Bank or Association or from the seller of the goods or services with respect to which such obligations arose;

"(8) obligations issued by a domestic corporation organized solely for the purpose of financing sales of export property pursuant to an agreement with the Export-Import Bank of the United States under which such corporation makes export loans guaranteed by such bank; and

"(9) amounts (other than working capital) on deposit in the United States if, on the last day of the

6th, 7th, and 8th months following the close of the taxable year, the adjusted basis of the qualified export assets held by the corporation on each such last day equals or exceeds 95 percent of the sum of—

"(A) the adjusted basis of the qualified export assets (determined without regard to this paragraph) held by the corporation at the close of the taxable year, and

"(B) the fair market value of all other assets held by the corporation at the close of the taxable year.

For purposes of paragraph (9), an amount is on deposit in the United States if (and only if) it is on deposit or in a withdrawable account in the United States with a person carrying on the banking business or with a savings institution chartered and supervised as a savings and loan or similar association under Federal or State law.

"(c) Export Property.—

"(1) In general.—For purposes of this part, the term 'export property' means any property—

"(A) manufactured, produced, grown, or extracted in the United States by a person other than a DISC,

"(B) held primarily for sale, lease, or rental in the ordinary course of trade or business for, or to a

DISC for, direct use, consumption, or disposition outside the United States, and

"(C) not more than 50 percent of the fair market value of which is attributable to articles imported into the United States.

In applying subparagraph (C), the fair market value of any article imported into the United States shall be taken to be its appraised value, as determined by the Secretary or his delegate under section 402 or 402a of the Tariff Act of 1930 (19 U.S.C., sec. 1401a or 1402) in connection with its importation.

"(2) EXCLUDED PROPERTY.—The term 'export property' does not include property leased or rented by a DISC for use by any member of a controlled group of corporations (within the meaning of section 1563) which includes the DISC.

"(3) PROPERTY IN SHORT SUPPLY.—If the President determines that the supply of any property described in paragraph (1) is insufficient to meet the requirements of the domestic economy, he may by Executive Order designate the property as in short supply. Any property so designated shall be treated as property not described in paragraph (1) during the period beginning with the date specified in the Executive Order and ending with the date specified in an

Executive Order setting forth the President's determination that the property is no longer in short supply.

"(d) PRODUCER'S LOANS.—

"(1) IN GENERAL.—An obligation, subject to the limitation provided in paragraph (2), shall be treated as arising out of a producer's loan if—

"(A) the loan, when added to the unpaid balance of all other producer's loans made by the DISC, does not exceed the accumulated DISC income at the beginning of the month in which the loan is made;

"(B) the loan is evidenced by a note (or other evidence of indebtedness) with a stated maturity date not more than 15 years from the date of the loan;

"(C) the loan is made to a person engaged in the United States in the manufacturing, production, growing, or extraction of export property (referred to hereinafter as the 'borrower'); and

"(D) at the time of such loan it is designated as a producer's loan.

"(2) LIMITATION.—An obligation shall be a producer's loan to the extent that such loan, when added to the unpaid balance of all other producer's loans of the borrower outstanding at the time of such loan, does not exceed an amount determined by multiplying the sum of—

"(A) the amount of the borrower's adjusted basis determined at the beginning of the borrower's taxable year in which the loan is made, in plant, machinery, and equipment, and supporting production facilities in the United States;

"(B) the amount of the borrower's property held primarily for sale, lease, or rental to customers in the ordinary course of trade or business at the beginning of such taxable year; and

"(C) the aggregate amount of the borrower's research and experimental expenditures (within the meaning of section 174) in the United States during all preceding taxable years beginning after December 31, 1970;

by the percentage which the borrower's qualified export receipts from the sale of export property during the 3 taxable years immediately preceding the taxable year in which the loan is made is of the gross receipts from the sale of property held by such borrower primarily for sale to customers in the ordinary course of the trade or business of such borrower during such 3 taxable years. In computing such percentage, the receipts of a taxable year beginning before January 1, 1971, shall not be taken into account. The limitation under this paragraph may be computed at the borrower's election on the basis of a controlled group of corporations (within the meaning of section 1563) but without taking into account any corporation which is a DISC.

"(e) RELATED FOREIGN EXPORT CORPORATION.—In determining under section 992 whether a corporation (hereinafter in this subsection referred to as 'the domestic corporation') is a DISC—

"(1) FOREIGN INTERNATIONAL SALES CORPORATION.—A foreign corporation is a related foreign export corporation for purposes of this part if—

"(A) stock possessing more than 50 percent of the total combined voting power of all classes of stock entitled to vote is owned directly by the domestic corporation;

"(B) 95 percent or more of such foreign corporation's gross receipts for its taxable year ending with or within the taxable year of the domestic corporation consist of qualified export receipts described in subparagraphs (A), (B), (C), and (D) of subsection (a) (1), and

"(C) the adjusted basis of the qualified export assets (described in paragraphs (1), (2), (3), and (4) of subsection (b)) held by such foreign corporation at the close of such taxable year equals or exceeds 95 percent of the sum of such adjusted basis and the fair market value of all other assets held by it at the close of such taxable year.

"(2) REAL PROPERTY HOLDING COMPANY.—A foreign corporation is a related foreign export corporation for purposes of this part if—

"(A) stock possessing more than 50 percent of the total combined voting power of all classes of stock entitled to vote is owned directly by the domestic corporation; and

"(B) its exclusive function is to hold real property for the exclusive use (under a lease or otherwise) of the domestic corporation.

"(3) ASSOCIATED FOREIGN CORPORATION.—A foreign corporation is a related foreign export corporation for purposes of this part if—

"(A) less than 10 percent of the total combined voting power of all classes of stock entitled to vote of such foreign corporation is owned (within the meaning of section 1563 (d) and (e)) by the domestic corporation or by a controlled group of corporations (within the meaning of section 1563) of which the domestic corporation is a member, and

"(B) the ownership of stock or securities in such foreign corporation by the domestic corporation is determined (under regulations prescribed by the Secretary or his delegate) to be reasonably in furtherance of a transaction or transactions giving rise to qualified export receipts of the domestic corporation.

"(f) GROSS RECEIPTS.—For purposes of this part, the term 'gross receipts' means the total receipts from the sale, lease, or rental of property held primarily for sale, lease, or rental in the ordinary course of trade or business, and gross income from all other sources. In the case of commissions on the sale, lease, or rental of property, the amount taken into account for purposes of this part as gross receipts shall be the gross receipts on the sale, lease, or rental of the property on which such commissions arose.

"(g) UNITED STATES DEFINED.—For purposes of this part, the term 'United States' includes the possessions of the United States.

"SEC. 994. INTER-COMPANY PRICING RULES.

"(a) IN GENERAL.—In the case of a sale of export property to a DISC by a person described in section 482, the taxable income of such DISC and such person shall be based upon a transfer price which would allow such DISC to derive taxable income attributable to such sale (regardless of the sales price actually charged) in an amount which does not exceed the greatest of:

"(1) 4 percent of the qualified export receipts on such property plus 10 percent of the export promotion expenses of such DISC attributable to such receipts;

"(2) 50 percent of the combined taxable income of such DISC and such person which is attributable to the qualified export receipts on such property plus 10 percent of the export promotion expenses of such DISC attributable to such receipts, or

"(3) taxable income based upon the sales price actually charged (but subject to the rules provided in section 482).

"(b) RULES FOR COMMISSIONS, RENTALS, AND MARGINAL COSTING.—The Secretary or his delegate shall prescribe regulations setting forth—

"(1) rules which are consistent with the rules set forth in subsection (a) for the application of this section in the case of commissions, rentals, and other income, and

"(2) rules for the allocation of expenditures in computing combined taxable income under subsection (a)(2) in those cases where a DISC is seeking to establish or maintain a market for export property.

"(c) EXPORT PROMOTION EXPENSES.—For purposes of this section, the term 'export promotion expenses' means all the ordinary and necessary expenses of the DISC paid or incurred for the production of qualified export receipts, including advertising, salaries, rentals, commissions, and other selling expenses, but not including income taxes, or any expense that does not advance the distribution or sale of export property for use, consumption, or distribution outside of the United States.

"Subpart B—Treatment of Distributions to Shareholders

"SEC. 995. TAXATION OF DISC INCOME TO SHAREHOLDERS.

"(a) GENERAL RULE.—A shareholder of a DISC or former DISC shall be subject to taxation on the earnings and profits of a DISC in accordance with the provisions of this subpart.

"(b) DEEMED DISTRIBUTIONS.—

"(1) DISTRIBUTIONS IN QUALIFIED YEARS.—A shareholder of a DISC shall be treated as having received a distribution with respect to his stock in an amount which is equal to his pro rata share of the sum (or, if smaller, the earnings and profits for the taxable year) of—

"(A) the gross interest derived during the taxable year from producer's loans, and

"(B) the gain realized by the DISC during the taxable year on the sale or exchange of property previously transferred to it in a transaction in which gain was not recognized in whole or in part, but only to the extent that the transferror's gain on the previous transfer was not recognized and would have been treated as gain from the sale or exchange of property which is neither a capital asset nor property described in section 1231 if the property had been sold or exchanged rather than transferred to the DISC. This subparagraph shall not apply to property which in the hands of the DISC is stock in trade or other property described in section 1221 (1).

Distributions described in this paragraph shall be deemed to be received on the last day of the taxable year of the DISC in which the gross income was derived.

"(2) DISTRIBUTIONS UPON DISQUALIFICATION.—

"(A) A shareholder of a corporation which terminated its election to be treated as a DISC or failed to satisfy the conditions of section 992 (a) (1) for a taxable year shall be deemed to have received (at the time specified in subparagraph (B)) a distribution equal to his pro rata share of the DISC income of such corporation accumulated during the immediately preceding consecutive taxable years for which the corporation was a DISC.

"(B) Distributions described in subparagraph (A) shall be deemed to be received in equal installments on the last day of each of the 10 taxable years of the corporation following the year of the termination or disqualification described in subparagraph (A) (but in no case over more than the number of immediately preceding consecutive taxable years during which the corporation was a DISC). Proper adjustment shall be made for actual distributions after the beginning of the year of the termination or disqualification out of the accumulated DISC income referred to in subparagraph (A), by reducing the number of deemed installments rather than the amount of such installments (other than the last installment).

"(c) Gain on Disposition of Stock in a DISC.—If a shareholder disposes of stock in a DISC or former DISC, any gain recognized on such disposition shall be treated as gain on the sale or exchange of property which is not a capital asset to the extent of the accumulated DISC income of such DISC or former DISC attributable to such stock.

If stock of the DISC or former DISC is disposed of in a transaction in which the corporate existence of the DISC or former DISC is terminated (other than by a mere change in place of organization, however effected), any gain realized on the disposition of such stock in the transaction shall be recognized notwithstanding any other provision of this title, to the extent of the accumulated DISC income of such DISC or former DISC attributable to such stock, and such gain shall be treated as gain from the sale or exchange of property which is not a capital asset.

"SEC. 996. SPECIAL RULES.

"(a) TREATMENT OF ACTUAL DISTRIBUTIONS.—

"(1) IN GENERAL.—Any actual distribution (other than a distribution described in paragraph (2) or to which section 995(c) applies) to a shareholder by a DISC (or former DISC) which is made out of earnings and profits shall be treated as made—

"(A) first, out of previously taxed income, to the extent thereof,

"(B) second, out of accumulated DISC income, to the extent thereof, and

"(C) finally, out of other earnings and profits.

"(2) QUALIFYING DISTRIBUTIONS.—Any actual distribution made pursuant to section 992(c) (relating to distributions to meet qualification requirements) shall be treated as made—

"(A) first, out of accumulated DISC income, to the extent thereof,

"(B) second, out of the earnings and profits described in paragraph (1) (C), to the extent thereof, and

"(C) finally, out of previously taxed income.

"(3) finally, to previously taxed income,

distributed out of previously taxed income shall be excluded by the distributee from gross income except to the extent provided in subsection (f) (2), and shall reduce the amount of the previously taxed income.

"(b) TREATMENT OF LOSSES.—If for any taxable year a DISC, or a former DISC, incurs a deficit in earnings and profits, such deficit shall be chargeable—

"(1) first, to earnings and profits described in subsection (a) (1) (C), to the extent thereof,

"(2) second, to accumulated DISC income, to the extent thereof, and

"(3) finally, to previously taxed income,

except that a deficit in earnings and profits shall not be applied against accumulated DISC income which, in any prior year, has been determined is to be deemed distributed to the shareholders (pursuant to section 995(b)(2)(A)) as a result of a disqualification.

"(c) TREATMENT OF DEEMED DISTRIBUTIONS.—Each shareholder shall include in gross income, as a dividend, any deemed distribution in a taxable year. An amount equal to such distribution shall increase previously taxed income, and the amount of any deemed distribution under section 995(b)(2) shall reduce accumulated DISC income.

"(d) PRIORITY OF DISTRIBUTIONS.—Any actual distribution made during a taxable year shall be treated as being made subsequent to any deemed distribution made during such year. Any actual distribution made pursuant to section 992(c) (relating to distributions to meet qualification requirements) shall be treated as being made before any other actual distributions during the taxable year.

"(e) SUBSEQUENT EFFECT OF PREVIOUS DISPOSITION OF DISC STOCK.—

"(1) SHAREHOLDER PREVIOUSLY TAXED INCOME ADJUSTMENT.—If—

"(A) gain with respect to a share of stock of a DISC or former DISC is treated under section 995(c) as gain from the sale or exchange of property which is not a capital asset, and

"(B) any person subsequently receives an actual distribution made out of accumulated DISC income, or a deemed distribution made pursuant to section 995(b)(2), with respect to such share, such person shall treat such distribution in the same manner as a distribution from previously taxed income to the extent that (i) the gain referred to in subparagraph (A), exceeds (ii) any other amounts with respect to such share which were treated under this paragraph as made from previously taxed income. In applying this paragraph with respect to a share of stock in a DISC or former DISC, gain on the acquisition of such share by the DISC or former DISC or gain on a transaction prior to such acquisition shall not be considered gain referred to in subparagraph (A).

"(2) CORPORATE ADJUSTMENT UPON REDEMPTION.—If section 995(c) applies to a redemption of stock in a DISC or former DISC, the accumulated DISC income shall be reduced by an amount equal to the gain described in section 995(c) with respect to such stock which is (or has been) treated as gain from the sale or exchange of property which is not a capital asset, except to the extent distributions with respect to such stock have been treated under paragraph (1).

"(f) ADJUSTMENT TO BASIS.—

"(1) ADDITIONS TO BASIS.—Amounts representing deemed distributions as provided in section 995(b) shall increase the basis of the stock with respect to which the distribution is made.

"(2) REDUCTIONS OF BASIS.—The portion of an actual distribution made out of previously taxed income shall reduce the basis of the stock with respect to which it is made, and to the extent that it exceeds the adjusted basis of such stock, shall be treated as gain from the sale or exchange of property. In the case of stock includible in the gross estate of a decedent for which an election is made under section 2032 (relating to alternate valuation), this paragraph shall not apply to any distribution made after the date of the decedent's death and before the alternate valuation date provided by section 2032.

"(g) DEFINITIONS OF DIVISIONS OF EARNINGS AND PROFITS.—For purposes of this part:

"(1) DISC INCOME.—The earnings and profits derived by a corporation during a taxable year in which such corporation is a DISC, before reduction for any distributions during the year, but reduced by amounts deemed distributed under section 995(b)(1) shall constitute the DISC income for such year. The earnings and profits of a DISC for a taxable year include any amounts includible in such DISC's gross income pursuant to section 951(a) for such year. Proper reduction of DISC income shall be made for earnings and profits attributable to amounts taxed by reason of section 991 (b).

"(2) PREVIOUSLY TAXED INCOME.—Earnings and profits deemed distributed under section 995 (b) for a taxable year shall constitute previously taxed income for such year.

"(3) OTHER EARNINGS AND PROFITS.—The earnings and profits for a taxable year which are described in neither paragraph (1) nor (2) shall constitute the other earnings and profits for such year.

"(h) EFFECTIVELY CONNECTED INCOME.—All distributions and gains referred to in section 995 shall be treated as distributions and gains, in the case of a shareholder who is a nonresident alien or a foreign corporation, which are effectively connected with the conduct of a trade or business conducted through a permanent establishment of such shareholder within the United States.

"SEC. 997. SPECIAL SUBCHAPTER C RULES.

"For purposes of applying the provisions of subchapter C of chapter 1, any distribution in property to a corporation by a DISC or former DISC which is made out of previously taxed income or accumulated DISC income shall—

"(1) be treated as a distribution in the same amount as if such distribution of property were made to an individual, and

"(2) have a basis, in the hands of the recipient corporation, equal to the amount determined under paragraph (1)."

SEC. 403. DEDUCTIONS, CREDITS, ETC.

(a) DIVIDENDS RECEIVED DEDUCTION.—Section 246 (relating to rules applying to deductions for dividends received) is amended by redesignating subsection (d) as subsection (e) and by inserting after subsection (c) the following:

"(d) DIVIDENDS FROM A DISC OR FORMER DISC.—No deduction shall be allowed under section 243 in respect of a dividend from a corporation which is a DISC or former DISC (as defined in section 992 (a)) to the extent such dividend is made out of the corporation's accumulated DISC income or previously taxed income, or is a deemed distribution pursuant to section 995 (b) (1)."

(b) FOREIGN TAX CREDIT.—Section 901 (d) (relating to corporations treated as foreign corporations) is amended by adding at the end thereof the following:

"For purposes of this subpart, dividends from a DISC or former DISC (as defined in section 992 (a)) shall be treated as dividends from a foreign corporation to the extent such dividends are treated under part I as income from sources without the United States."

(c) WESTERN HEMISPHERE TRADE CORPORATIONS.—

Section 922 (relating to special deduction for Western Hemisphere Trade Corporations) is amended by adding at the end thereof the following:

"No deduction shall be allowed under this section to a corporation for a taxable year for which it is a DISC or in which it owns at any time stock in a DISC or former DISC (as defined in section 992 (a))."

(d) INCOME FROM SOURCES WITHIN POSSESSIONS OF THE UNITED STATES.—Section 931 (a) (relating to the general rule applicable to income from sources within possessions of the United States) is amended by adding at the end thereof the following:

"This section shall not apply in the case of a corporation for a taxable year for which it is a DISC or in which it owns at any time stock in a DISC or former DISC (as defined in section 992 (a))."

(e) INCLUDIBLE CORPORATIONS.—Section 1504 (b) (relating to definition of "includible corporations") is amended by adding at the end thereof the following new paragraph:

"(7) A DISC or former DISC (as defined in section 992 (a))."

(f) BASIS OF DISC STOCK ACQUIRED FROM DECEDENT.—Section 1014 (relating to basis of property acquired from a decedent) is amended by adding at the end thereof the following new subsection:

"(d) SPECIAL RULE WITH RESPECT TO DISC STOCK.—If stock owned by a decedent in a DISC or former DISC (as defined in section 992(a)) acquires a new basis under subsection (a), such basis (determined before the application of this subsection) shall be reduced by the amount (if any) which would have been treated under section 995(c) as gain from the sale of property which is not a capital asset if the decedent had lived and sold the stock at its fair market value on the estate tax valuation date. In computing the gain the decedent would have had if he had lived and sold the stock, his basis shall be determined without regard to the last sentence of section 996(f)(2) (relating to reductions of basis of DISC stock). For purposes of this subsection, the estate tax valuation date is the date of the decedent's death or, in the case of an election under section 2032, the applicable valuation date prescribed by that section."

SEC. 404. SOURCE OF INCOME.

Section 861(a)(2) (relating to dividends) is amended—

(1) by deleting the period at the end of subparagraph (C) and inserting in lieu thereof ", or"; and

(2) by inserting the following new subparagraph

(D) immediately after subparagraph (C) as amended:

"(D) from a DISC or former DISC (as defined in section 992 (a)) except to the extent attributable (as determined under regulations prescribed by the Secretary or his delegate) to qualified export receipts described in section 993 (a) (1) (other than interest from sources within the United States)."

SEC. 405. PROCEDURE AND ADMINISTRATION.

(a) RETURNS.—Section 6011 (relating to general requirement of return, statement, or list) is amended by redesignating subsection (e) of subsection (f) and by adding a new subsection (e) which reads as follows:

"(e) RETURNS, ETC., OF DISCS AND FORMER DISCS.—

"(1) RECORDS AND INFORMATION.—A DISC or former DISC shall for the taxable year—

"(A) furnish such information to persons who were shareholders at any time during such taxable year, and to the Secretary or his delegate, and

"(B) keep such records,

as may be required by regulations prescribed by the Secretary or his delegate.

"(2) RETURNS.—A DISC shall file for the taxable year such return as may be prescribed by the Secretary or his delegate by forms or regulations."

(b) RETURNS OF CORPORATIONS.—Section 6072 (b) (relating to returns of corporations) is amended by adding at the end thereof the following: "Returns required for a taxable year by section 6011 (e) (2) (relating to returns of a DISC) shall be filed on or before the fifteenth day of the ninth month following the close of the taxable year."

(c) CERTAIN INCOME TAX RETURNS OF DISC.—Section 6501 (g) (relating to certain income tax returns of corporations) is amended by adding at the end thereof the following new paragraph:

"(3) DISC.—If a corporation determines in good faith that it is a DISC (as defined in section 992 (a)) and files a return as such under section 6011 (e) (2), and if such corporation is thereafter held to be a corporation which is not a DISC for the taxable year for which the return is filed, such return shall be deemed the return of a corporation which is not a DISC for purposes of this section."

(d) FAILURE OF DISC TO FILE RETURNS.—Subchapter (B) of chapter 68 (relating to assessable penalties) is amended by adding at the end thereof the following new section:

"SEC. 6686. FAILURE OF DISC TO FILE RETURNS.

"In addition to the penalty imposed by section 7203 (relating to willful failure to file return, supply information, or pay tax) any person required to supply information or to file a return under section 6011(e) who fails to supply such information or file such return at the time prescribed by the Secretary or his delegate, or who files a return which does not show the information required, shall pay a penalty of $100 for each failure to supply information (but the total amount imposed on the delinquent person for all such failures during any calendar year shall not exceed $25,000) or a penalty of $1,000 for each failure to file a return, unless it is shown that such failure is due to reasonable cause."

SEC. 406. EFFECTIVE DATE OF TITLE.

The amendments made by this title shall apply with respect to taxable years ending after December 31, 1970, except that a corporation may not be a DISC (as defined in section 992(a) of the Internal Revenue Code of 1954, added by section 402 of this title) for any taxable year beginning before January 1, 1971.

SEC. 407. EXPORT TRADE CORPORATIONS.

(a) USE OF TERMS.—Except as otherwise expressly provided, whenever in this section a reference is made to a section, chapter, or other provision, the reference shall be considered to be made to a section, chapter, or other provision of the Internal Revenue Code of 1954, and terms used in this section shall have the same meaning as when used in such Code.

(b) TRANSFER TO A DISC OF ASSETS OF EXPORT TRADE CORPORATION.—

(1) IN GENERAL.—If a corporation (hereinafter in this section called "parent") owns all of the outstanding stock of an export trade corporation (as defined in section 971), and the export trade corporation, on the last day of a taxable year beginning before January 1, 1975, transfers property, without receiving consideration, to a DISC (as defined in section 992 (a)) all of whose outstanding stock is owned by the parent, and if the amount transferred by the export trade corporation is not less than the amount of its untaxed subpart F income (as defined in paragraph (2) of this subsection) at the close of such day and at such time it does not have any earnings and profits described in section 959 (c) (1) or (2), then—

(A) notwithstanding section 367 or any other provision of chapter 1, no gain or loss to the export trade corporation, the parent, or the DISC shall be recognized by reason of such transfer;

(B) the earnings and profits of the DISC shall be increased by the amount transferred to it by the export trade corporation and such amount shall be included in accumulated DISC income, and for purposes of section 861 (a) (2) (D) shall be considered to be qualified export receipts;

(C) the adjusted basis of the assets transferred to the DISC shall be the same in the hands of the DISC as in the hands of the export trade corporation;

(D) the earnings and profits of the export trade corporation shall be reduced by the amount transferred to the DISC, to the extent thereof, with the reduction being applied first to the untaxed subpart F income and then to the other earnings and profits in the order in which they were most recently accumulated;

(E) the basis of the parent's stock in the export trade corporation shall be decreased by the amount obtained by multiplying its basis in such stock by a fraction the numerator of which is the amount transferred to the DISC and the denominator of which is the aggregate adjusted basis of all the assets of the export trade corporation immediately before such transfer;

(F) the basis of the parent's stock in the DISC shall be increased by the amount of the reduction under subparagraph (E) of its basis in the stock of the export trade corporation;

(G) the property transferred to the DISC shall not be considered to reduce the investments of the export trade corporation in export trade assets for purposes of applying section 970(b); and

(H) any foreign income taxes which would have been deemed under section 902 to have been paid by the parent if the transfer had been made to the parent shall be treated as foreign income taxes paid by the DISC.

For purposes of this section, the amount transferred by the export trade corporation to the DISC shall be the aggregate of the adjusted basis of the properties transferred, with proper adjustment for any indebtedness secured by such property or assumed by the DISC in connection with the transfer.

(2) DEFINITION OF UNTAXED SUBPART F INCOME.—For purposes of this section, the term "untaxed subpart F income" means with respect to an export trade corporation the amount by which—

(A) the sum of the amounts by which the subpart F income of such corporation was reduced for the taxable year and all prior taxable years under section 970(a) and the amounts not included in subpart F income (determined without regard to subpart G of subchapter N of chapter 1) for all prior taxable years by reason of the application of section 972, exceeds

(B) the sum of the amounts which were included in the gross income of the shareholders of such corporation under section 951(a)(1)(A)(ii) under the provisions of section 970(b) for all prior taxable years,

determined without regard to the transfer of property described in paragraph (1) of this subsection.

(3) SPECIAL CASES.—If the provisions of paragraph (1) of this subsection are not applicable solely because the export trade corporation or the DISC, or both, are not owned in the manner prescribed in such paragraph, the provisions shall nevertheless be applicable in such cases to the extent, and in accordance with such rules, as may be provided under regulations prescribed by the Secretary or his delegate.

(c) REPEAL OF SUBPART G.—

(1) IN GENERAL.—Subpart G of subchapter N of chapter 1 is repealed for taxable years beginning after December 31, 1974.

(2) INCLUSION OF CERTAIN PREVIOUSLY EXCLUDED AMOUNTS.—In the case of any controlled for-

eign corporation which was an export trade corporation for any taxable year prior to its first taxable year beginning after December 31, 1974, there shall be included in the subpart F income of such corporation (as defined in section 952(a)) for each of the ten taxable years beginning with such first taxable year an amount equal to one-tenth of—

(A) the amount of such corporation's untaxed subpart F income (as defined in subsection (b)(2) of this section) determined as of the close of the taxable year of such corporation immediately preceding such first taxable year, reduced by

(B) the amount, if any, of such untaxed subpart F income which was transferred to a DISC pursuant to subsection (b) of this section, and

the shareholders of such corporation shall include such amounts in gross income pursuant to section 951 notwithstanding section 963.

SEC. 408. SUBMISSION OF ANNUAL REPORTS TO CONGRESS.

The President of the United States shall submit, commencing for the calendar year 1971, an annual report to the Congress within 15½ months following the close of each calendar year setting forth an analysis of the operation and effect of the provisions of this title.

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